City of Houston, Texas, Ordinance No. 1999-852

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER SEVENTEEN, CITY OF HOUSTON, TEXAS (MEMORIAL CITY); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; CONTAINING VARIOUS PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

* * * * * * *

WHEREAS, by City of Houston Ordinance No. 1999-759, adopted July 21, 1999, the City created Reinvestment Zone Number Seventeen, City of Houston, Texas (the "Memorial City Zone") for the purposes of development within the area of the City generally bounded by Sam Houston Tollway on the west, Westview and Pine Lake on the north, Bunker Hill Drive on the east and Barryknoll Drive, Perthshire Road and Memorial Drive on the south (the "Memorial City area"); and

WHEREAS, the Board of Directors of the Memorial City Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development of the Memorial City Zone; and

WHEREAS, the City Council must approve the Project Plan and Reinvestment Zone Financing Plan; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the findings contained in the preamble of this Ordinance are declared to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. That the Project Plan and the Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Seventeen, City of Houston, Texas, are hereby determined to be feasible and are approved.

Section 3. That the City Secretary is directed to provide copies of the Project Plan and Reinvestment Zone Financing Plan to each taxing unit levying ad valorem taxes in the Memorial City Zone.

Section 4. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 5. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 11th **day of** August**, 1999.**

APPROVED this ______ day of ______________, 1999.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is AUG 17 1999.

City Secretary

(Prepared by Legal Dept)
(MAM\mam 7/26/99) Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L. D. File No. 61-99059-03)

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AYE	NO	
✓		**MAYOR BROWN**
••••	••••	**COUNCIL MEMBERS**
✓		TATRO
✓		YARBROUGH
✓		WONG
✓		BONEY
✓		TODD
✓		DRISCOLL
✓		KELLEY
ABSENT-ON PERSONAL BUSINESS		FRAGA
✓		CASTILLO
ABSENT-OUT OF CITY ON PERSONAL BUSINESS		PARKER
ABSENT-ON PERSONAL BUSINESS		ROACH
ABSENT-OUT OF CITY CITY BUSINESS		SANCHEZ
✓		BELL
✓		ROBINSON
CAPTION	ADOPTED	

MAY 017 REV. 2/97

8/11/98
#45

Reinvestment Zone Number 17
City of Houston, Texas

Memorial City TIRZ

Project Plan
& Reinvestment Zone Financing Plan

July 27, 1999

TABLE OF CONTENTS

LIST OF FIGURES

I. OVERVIEW

Tax Increment Reinvestment Zone Number 17, City of Houston, Texas (the "TIRZ" or the "Zone") is a financing mechanism provided under State of Texas statutes that will be used by the City of Houston (the "City" or "Houston") to preserve, conserve and redevelop this major activity center. The creation of the TIRZ offers the opportunity to address specific conditions that if not addressed, will pose long term risks to the area by increasing the number of unproductive, under-developed properties and decreasing area property values. Increasing traffic congestion and poor accessibility of major thoroughfares threaten the area's economic vitality. If these conditions continue unabated, and the commercial area begins to decline, the City of Houston, Harris County and Spring Branch ISD stand to lose significant tax base from stagnation of current value, as well as from the loss of future growth to new developments outside their jurisdictions, specifically to the west.

The 988-acre Zone encompasses approximately 4.6 million square feet of retail space (including both Memorial City Mall, Town and Country Village and Town and Country Mall), 1.6 million square feet of office space, 480,000 square feet of health care facilities, and 150 acres of undeveloped land or underutilized land uses predominantly north of I-10. The area is one of the City's major activity centers, similar to Greenspoint, Greenway Plaza, the Texas Medical Center, Westchase, and Uptown Houston. Based on 1998 values and tax rates, the real property in the Zone generated approximately $13.5 million in real property taxes cumulatively to the City, County and Spring Branch Independent School District ("SBISD").

Proposed TIRZ improvements are intended to create an environment attractive to new high quality development along the north side of the Zone and spur additional development on the south side. The TIRZ is intended to provide the financing mechanism to construct a needed collector street network on both the north and south sides of I-10 within the Zone. A collector street network within the Zone, capable of handling the commercially generated traffic, is intended decrease the amount of cut-through traffic currently spilling over into the adjacent residential communities.

Educational facilities to be funded through the Zone will help maintain the standing of Spring Branch ISD as a superior school district.

The TIRZ Project Plan and Reinvestment Zone Financing Plan calls for infrastructure and mobility improvements within its boundaries intended to mitigate the impact of commercial activities on adjacent residential areas and help conserve and preserve those neighborhoods. Further, public improvements are intended to encourage a change of land use patterns while promoting compatibility with the adjacent neighborhoods. Surrounding communities and neighborhoods expressed concern regarding the potential for both positive and negative impacts and sought to have their interests represented on the board and to request specific assurances in the Plan to address community issues. A memorandum of agreement included herein as Part 6 of the Appendices incorporates certain principles that will be adhered to throughout the development of the TIRZ.
*(See Attachment A)

II. PROJECT PLAN

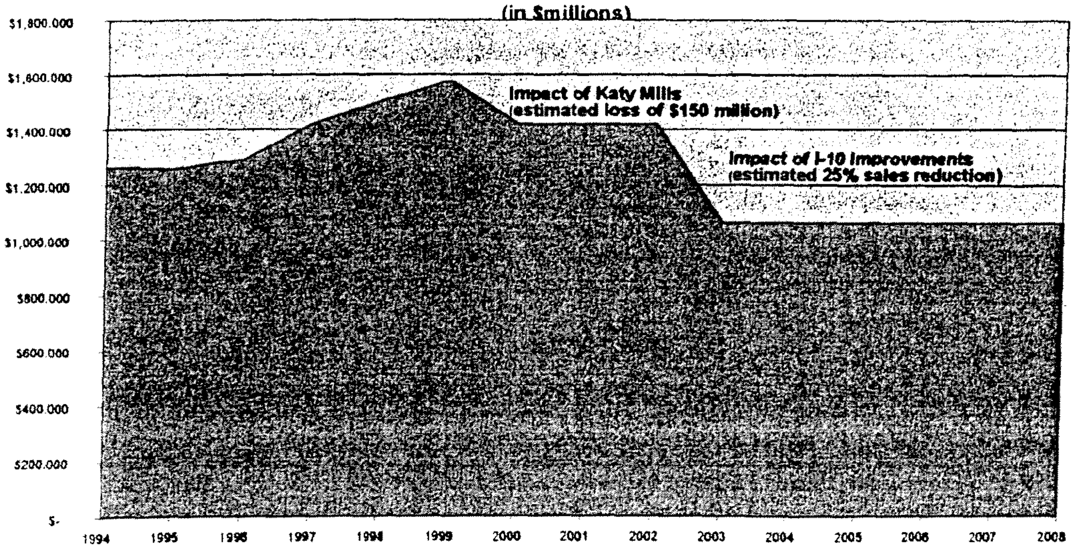
Introduction

Tax Increment Reinvestment Zone Number 17, Memorial City, (the "TIRZ" or the "Zone") seeks to enhance the area's economic viability in the face of research showing that the area is increasingly impacted by conditions that pose long-term risks to the area. The TIRZ provides a mechanism to help maintain the long-term survivability of this major commercial asset and the adjacent residential areas through the implementation of public mobility and infrastructure improvements. The improvements outlined in this Plan will help mitigate the following conditions:

- **Increased Suburban Competition**

Retail sales in the existing malls and older shopping centers, in north and west Harris County, are likely to significantly decline with the opening of the Katy Mills Mall in Fort Bend County. It is estimated that a third of the retail sales ($150 million annually) will be siphoned directly from the Memorial City trade area. In addition, as the chart below reflects, retail sales are forecasted to decline an additional 25% due to the extended re-construction planned for I-10.

Figure 1
Actual & Projected Retail Sales Memorial City & Town & Country
(in $millions)

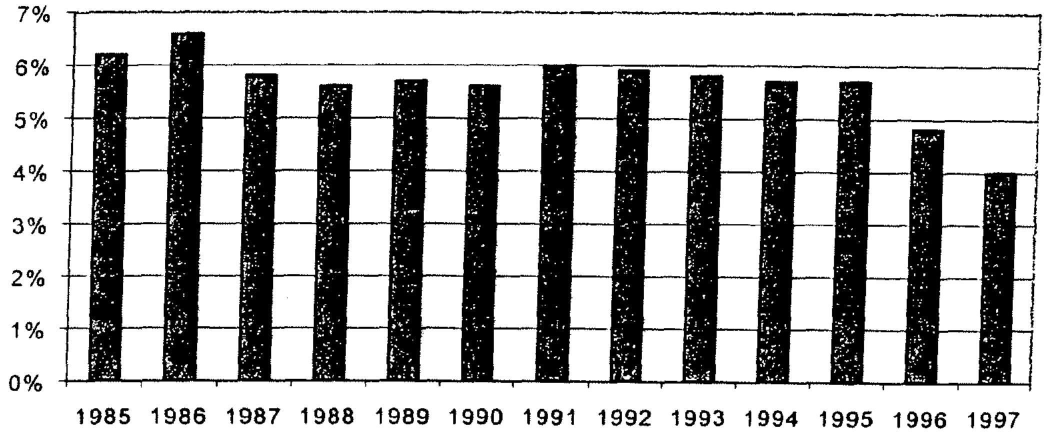


Source: FH&R

- **Declining Market Share**

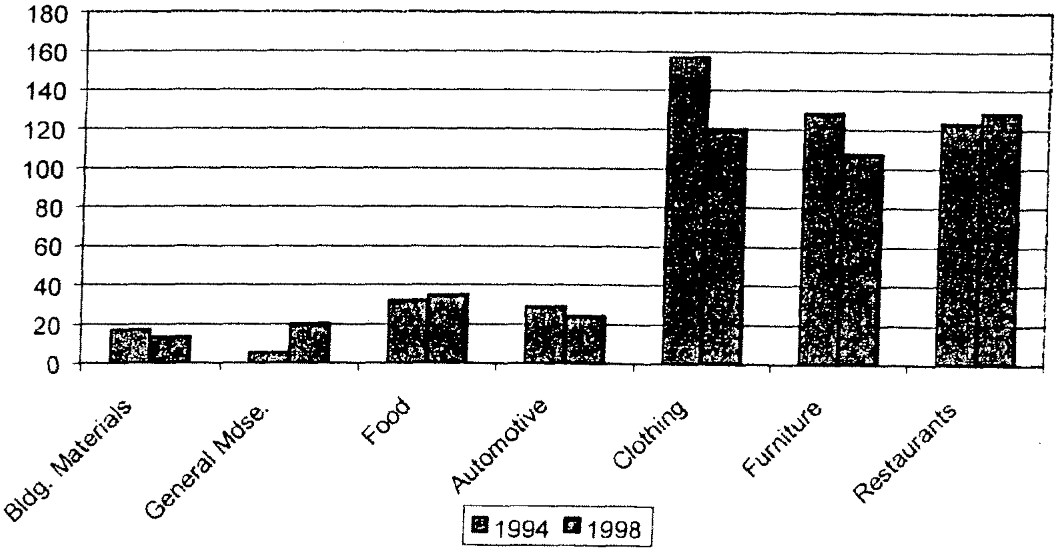
The risk of stagnation or decline is becoming evident. The Memorial City area's share of the regional market is declining as retailers move outward to capture the increasing suburban residential market. Since 1994 the number of retail outlets in the Memorial City trade area has declined by 6.7%. The charts below reflect these emerging trends.

Figure 2A
Share of Regional Retail Sales



Source: FH&R and State Comptroller

Figure 2B
Number of Retail Outlets by Category



Source: FH&R and State Comptroller

- **Existing congestion resulting from the lack of east-west thoroughfares and insufficient roadway capacity**

  According to a traffic analysis by Walter P. Moore and Assoc., I-10, the only continuous major east-west roadway through the Zone, carries more than 207,000 vehicles per day, almost triple its original design capacity of 79,200. Similar congestion levels exist on Gessner Road, one of the few north-south thoroughfares in the area. On weekdays and weekends more than 45,000 vehicles per day squeeze into six through lanes near I-10. The following view, looking west along I-10 at Memorial City at 1:00 p.m. during a weekday, illustrates the severe congestion that currently exists in the area during non-peak times. These conditions continuously limit access to area businesses and promote cut-through traffic on residential streets.

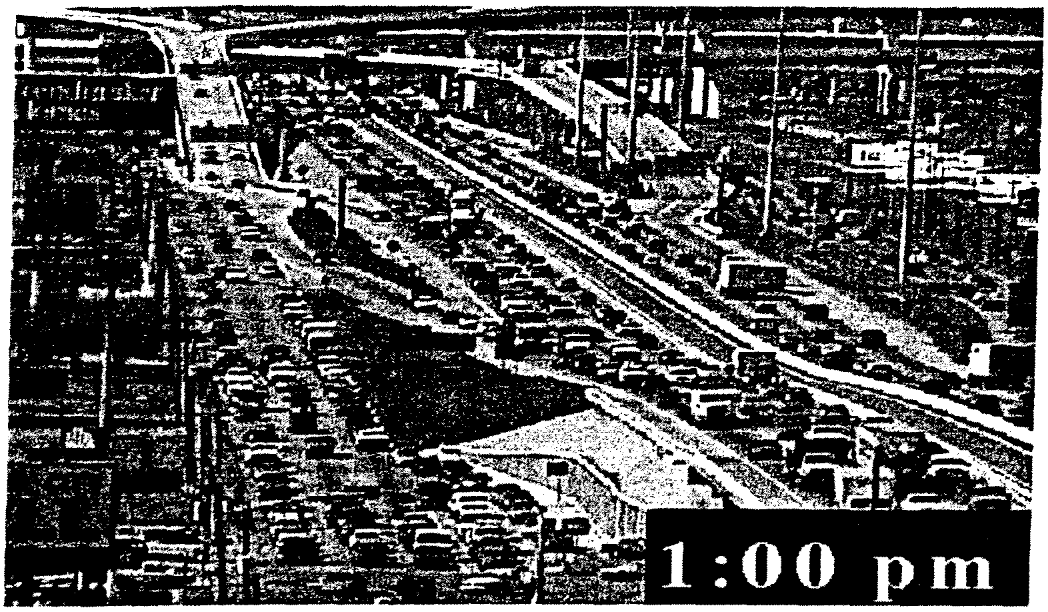


Figure 3: I-10 at Gessner, 1:00pm weekday

- **Long term mobility concerns stemming from the pending 10-year reconstruction of I-10**

  Congestion is expected to worsen when I-10 reconstruction begins in 2003. According to research conducted by the Transportation Research Board, businesses burdened with increasing levels of congestion will tend to relocate in areas of less congestion.

- **Lack of utility capacity to serve additional development**
  The commercial area encompassed by the TIRZ was not with sufficient street systems. Aged and stressed infrastructure within the Zone, built three decades ago, is no longer sufficient and needs to be replaced and enlarged to support meaningful growth and redevelopment.

Public improvements in the Zone, such as mobility improvements and utility upgrades, will create an environment that can support an additional 10 million square feet of office, retail and medical related development that would otherwise leapfrog to suburban communities. It is estimated that $1 billion in new private development could be attracted to the Zone as a result of proposed public improvements estimated to cost $98 million. The improvements and subsequent private development will increase the value of all taxable real property within and around the Zone resulting in greater tax revenue to all taxing jurisdictions.

Existing Uses and Conditions of Real Property (311.011(b)(1))

The Zone includes approximately 988 acres and is generally located along the Katy Freeway (I-10) between Bunker Hill Drive and Beltway 8. The Zone, shown on Figure 4 (page 8), encompasses a mix of commercial, medical, retail, industrial and multi-family uses with varying degrees of tenancy, condition and value. Base year 1999 value for the Zone is estimated at $445 million.

- **Existing Land Uses**

The Zone currently encompasses the following land uses, which are illustrated on Figure 5 (page 9):

Land Use	Acreage	Percentage of Total
Commercial (1)	518.43	52.5%
Industrial	77.11	7.8%
Multi-Family	6.60	0.7%
Public (2)	85.57	8.7%
Single-family residential	1.16	0.1%
Utilities	12.38	1.3%
Vacant/Undeveloped	63.40	6.4%
I-10 Right-of-Way	101.78	10.2%
Other Rights-of-Way	121.75	12.2%
Total	**988.18**	100%

1) Office, retail, medical
2) schools, parks, churches

- **Economic Conditions**

The southern portion of the Zone is dominated by two malls (Town and Country and Memorial City), several large shopping centers, a major hospital, and several office buildings. The following photos illustrate the decline and vacancies evident at Town and Country Mall.

Figure 6A: One of two vacant movie theaters at Town & Country Mall that face the Sam Houston Tollway.

Figure 6B: Example of vacant retail space at Town & Country Mall.

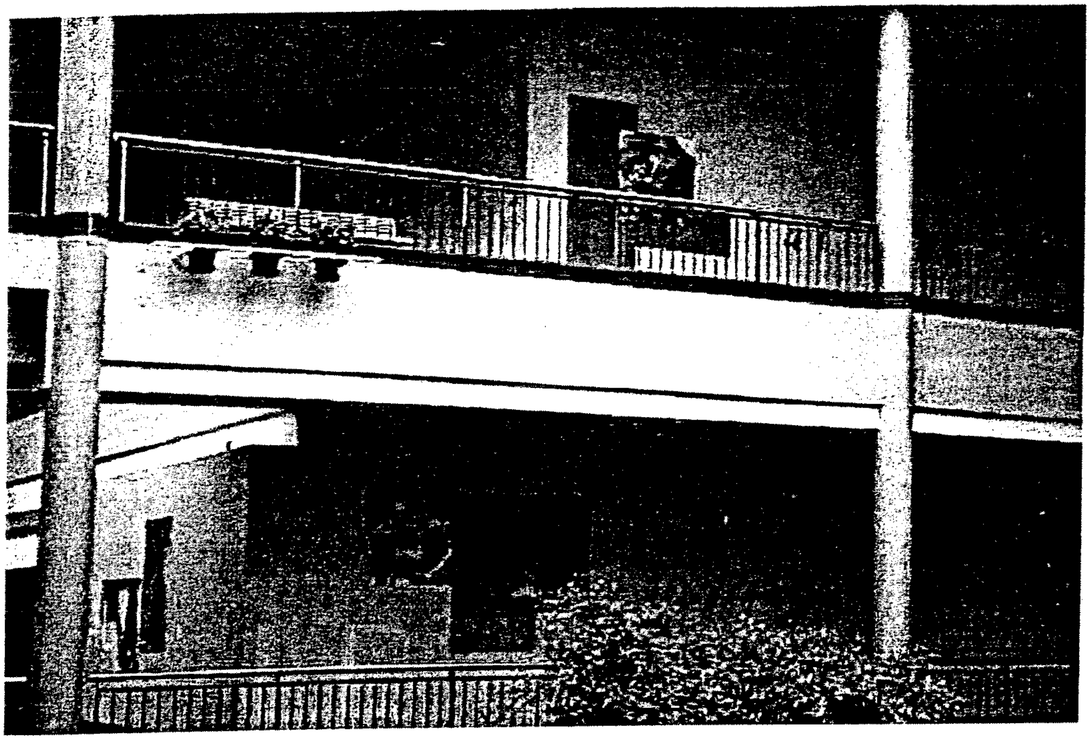


Figure 6C: Example of vacant retail space at Town & Country Mall. The entire third floor of the mall is currently unused.

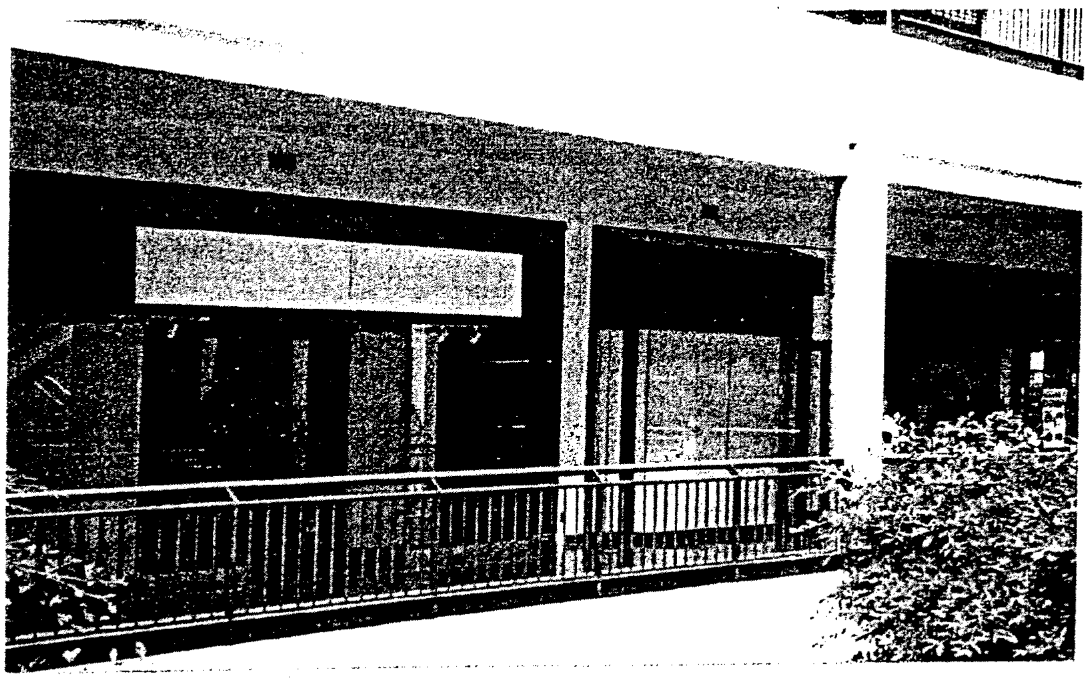


Figure 6D: Growing retail vacancies have reduced property values of the mall and sales tax revenue

While the southern portion of the Zone is just beginning to show symptoms of decline, the northern portion is already in decline. The hodgepodge of uses, which include big-box retail, light industry, self-storage facilities, isolated multi-family residential, free standing small businesses, and vacant land, are steadily declining. Poor access and inadequate utilities have resulted in abandoned structures and under-utilized parcels along Old Katy Road.

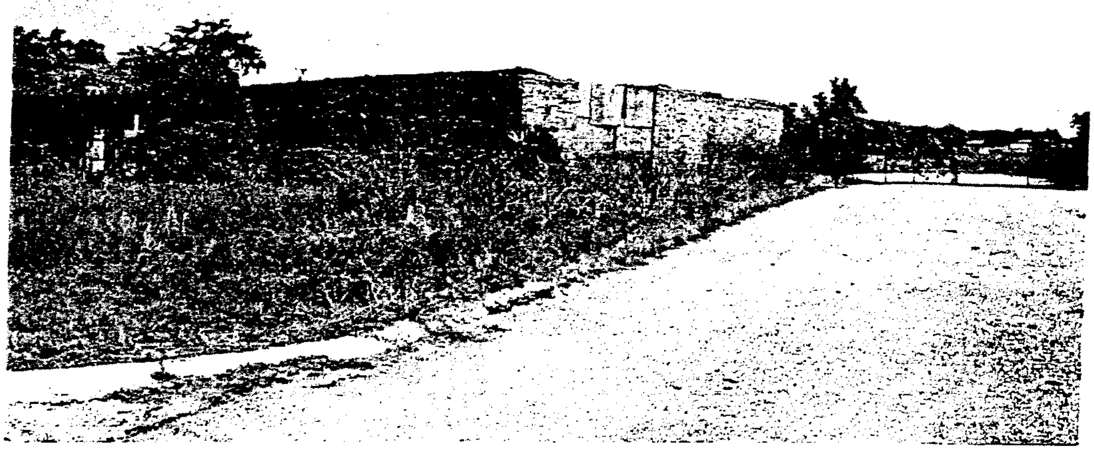


Figure 7: Vacant and deteriorated sites along Old Katy Road.

Figure 8: North side commercial area roadway without adequate drainage, sidewalks, or capacity.

- **Mobility Deficiencies**

<u>Existing congestion resulting from the lack of east-west thoroughfares</u>

There are no continuous parallel east-west collector streets between Barryknoll and I-10. Similarly on the north side of I-10 there are no continuous east-west collector streets between Westview and I-10. The lack of east-west collector streets to serve the commercial property between residential areas and I-10 overloads the north-south thoroughfares, concentrates east-west trips on the I-10 service roads, and promotes residential cut-through traffic.

Recent 24-hour traffic counts show volumes on Gessner to be 45,000 vehicles per day while volumes on the I-10 service roads are approximately 55,000 vehicles per day. These volumes equate to levels of service (LOS) D, E, and F for various sections of Gessner and the I-10 service roads. Based on a scale from A (free flowing traffic) to F (severe congestion), these roadways are operating at less than 40-percent of free flowing speed. At these levels of congestion there are virtually no gaps in the traffic to allow vehicles to enter from adjacent roadways or developments.

The Gessner Road/I-10 intersection has been identified as a high priority and slated for a City of Houston CIP improvement. However, since 1985 funds have been continually shifted to other CIP projects. Inadequate available rights of way complicated by multiple property ownership have made creating a street network in the area infeasible within the City's CIP planning efforts. The criticality and magnitude of the needed improvements can be quantified if viewed as a percentage of the total CIP. The improvements proposed within the Zone boundary would represent one-fifth of the total annual City CIP budget. Without the TIRZ in place, implementation of these comprehensive improvements is also beyond the resources of individual developers and property owners.

Long-term mobility concerns stemming from the pending 10-year reconstruction of I-10

I-10 was designed to carry 79,200 vehicles per day and is operating at 207,000 vehicles per day. As a result, cut through traffic and area bottlenecks are routine. Pending I-10 reconstruction poses even greater disruption and places many small businesses, especially north of I-10, in jeopardy of closing during an extended 10 year construction period. The TIRZ provides for improvements to the street network that will provide better east-west mobility during I-10 construction. Reducing growing traffic pressure along the I-10 corridor and existing thoroughfares like Gessner will help stabilize existing businesses during the reconstruction period.

- **Utility Deficiencies**

Lack of drainage and utility capacity to serve additional development

Existing utility systems are aging, in need of repair or replacement. This is especially true on the north side of I-10 where the growth potential is significant and the existing infrastructure has the least capacity.

Municipal Ordinances (311.011(b)(2))

Other than ordinances directly associated with the creation of the Zone and adoption of the Project Plan and Reinvestment Zone Financing Plan, no changes to development ordinances or building codes are required.

Non-Project Costs (311.011(b)(3))

The non-project costs consist of the private investment in the area forecast to be constructed based on current market demand and estimated future demand. These projections are shown below and on Figure 9 (page 16).

New Zone Development	Square Feet	Dollar Value (1)
Office Space	4,350,000	$ 456,750,000
Memorial Mall	518,000	$ 41,440,000
Retail Space	982,000	$ 78,560,000
Retail Pad - 3 facilities annually	600,000	$ 78,000,000
Memorial Hermann Hospital	300,000	$ 51,000,000
Professional Office-Hospital	710,000	$ 88,750,000
Hotels - 900 Units	630,000	$ 65,992,500
Residential - 3000 Units	2,400,000	$ 149,623,200
Total	10,490,000	$ 1,010,115,700

1) 1999 values

City of Houston Capital Improvement Program non-project costs consist of the following projects:

Westview Improvements	$7,065,000
North I-10 Detention Pond (Gessner/Conrad Sauer)	$9,600,000
Total	$16,665,000

In addition, the Harris County Municipal Management District No. 1, which was created by the State Legislature on May 26th, 1999, will fund projects and programs that will work with TIRZ improvements to enhance the economic viability of the area. Property owners within the Management District, shown on Figure 10 (page 17), will be assessed to fund improvements that are not financed by the TIRZ. These will include improvements such as public safety, maintenance of public areas, street amenities, security, beautification, and transportation planning. These activities will supplement and work with the large capital improvements proposed by the TIRZ.

Reinvestment Zone Number 17
City of Houston, Texas

Memorial City TIRZ

Appendices to the
Project Plan
& Reinvestment Zone Financing Plan

July 27, 1999

Reinvestment Zone Number 17
City of Houston, Texas

Memorial City TIRZ

Appendices to the
Project Plan
& Reinvestment Zone Financing Plan

July 27, 1999

APPENDICES – CONTENTS

I. Legal Description

Memorial City TIRZ
Legal Description

BEGINNING AT A POINT located at the intersection of the east right-of-way line of Bunker Hill Road and the north right-of-way line of Old Katy Road, in the City of Houston, Harris County, Texas;

THENCE, in a southerly direction crossing Old Katy Road and Interstate Highway 10 along the east right-of-way line of Bunker Hill Road to the extension of the south right-of-way line of Barryknoll Drive;

THENCE, in a westerly direction following the south right-of-way line of Barryknoll Drive approximately 2,600 feet to a point at the east side of the H.C.F.C.D. easement;

THENCE in an southerly direction approximately 250 feet following the east line of the H.C.F.C.D. easement to a point;

THENCE, in a west northwesterly direction approximately 625 feet following the north line of Memorial Hollow Section 8, to a point on the south right-of-way line of Barryknoll Drive;

THENCE, in a westerly direction to the intersection of the south right-of-way line of Barryknoll Lane and the east right-of-way line of Plantation Road;

THENCE, in a southerly direction approximately 620 feet following the east right-of-way line of Plantation Road to a point;

THENCE, in a west northwesterly direction approximately 820 feet, along the north property line of Memorial Hollow Section 7, to a point on the west right-of-way line of Gessner Road;

THENCE, in a northerly direction approximately 600 feet following the west right-of-way line of Gessner Road, to the northeast corner of Memorial Hollow Section 6 Replat;

THENCE, in a westerly direction along the north property line of Memorial Hollow Section 6 Replat to the east right-of-way line Frostwood Drive;

THENCE, in a southerly direction approximately 60 feet along a curve to the left, being the east right-of-way line of Frostwood Drive;

THENCE, in a westerly direction approximately 450 feet along the north subdivision line to the northwest corner of Memorial Hollow Section 5 Replat;

THENCE, in a northerly direction approximately 1,395 feet to a point at the southeast corner of Benignus Acres;

THENCE in a westerly direction 800 feet to a point at the southwest corner of Benignus Acres;

THENCE in a southerly direction 2,795 feet to a point on the south right-of-way line of Perthshire Road;

THENCE in a west southwesterly direction 580 feet along a curve to the left, being the south and east right-of-way line of Perthshire Road;

THENCE in a westerly direction 220 feet along the north line of the Tallowood Town House Condos;

THENCE in a northerly direction approximately 750 feet along the east line of Fonn Villa Section 4 to a point on the south right-of-way line of Vindon Drive;

THENCE in a northerly direction approximately 1,650 feet along the west right-of-way line of Attingham Drive;

THENCE in a west southwesterly direction 1,340 feet along the north right-of-way line of Fonn Villas Section 6 to a point on the east right-of-way line of Town and Country Boulevard;

THENCE in a southerly direction 950 feet to a point on the north right-of-way line of Barryknoll Lane;

THENCE in an east northeasterly direction 870 feet along the north right-of-way line of Barryknoll Lane to a point on the east right-of-way line of Hallie Drive;

THENCE in a southerly direction 960 feet to a point on the south right-of-way line of Kimberly Lane;

THENCE in a westerly direction 770 feet to a point at the northeast corner of Fonn Villas Section 3;

THENCE in a southerly direction 1,885 feet to a point on the east right-of-way line of Memorial Drive;

THENCE in a westerly direction 100 feet to a point on the west right-of-way line of Memorial Drive;

THENCE in a north northwesterly direction 1,680 feet along a curve to the left, being the west and south side of Memorial Drive, to a point on the east right-of-way line of Sam Houston Tollway/Beltway 8;

THENCE in a northerly direction 6,660 feet along the east right-of-way line of Sam Houston Tollway/Beltway 8 to a point on the north side of the right-of-way line of Westview Drive;

THENCE in an easterly direction 2,890 feet along the north right-of-way line of Westview Drive to a point on the east right-of-way line of Shadowdale Drive;

THENCE in a southerly direction 610 feet along the east right-of-way line of Shadowdale Drive;

THENCE in an easterly direction 300 feet to a point on the west right-of-way line of Wisterwood Drive;

THENCE in a southerly direction 280 feet to a point on the west right-of-way line of Wisterwood Drive;

THENCE in an easterly direction 990 feet to a point on the west right-of-way line of Conrad Sauer Road;

THENCE in an northerly direction 100 feet to a point on the west right-of-way line of Conrad Sauer Road;

THENCE in an easterly direction 2,285 feet along the north side of the H.C.F.C.D easement to a point on the east right-of-way line of Witte Road;

THENCE in a southerly direction 150 feet along the east right-of-way line of Witte Road;

THENCE in an easterly direction 1,605 feet along the south line of Spring Branch Woods Section 1;

THENCE in a northerly direction 20 feet;

THENCE in an easterly direction 300 feet to a point on the north side of the H.C.F.C.D. easement;

THENCE in a northerly direction 300 feet to a point on the north right-of-way line of Pine Lake Drive;

THENCE in a northeasterly direction 844 feet to a point on the east right-of-way line of Bunker Hill Road;

THENCE in a southerly direction 1,930' along the east right-of-way line of Bunker Hill Road to a point on the north right-of-way line of Old Katy Road;

THENCE in a westerly direction 165' to the POINT OF BEGINNING.

SAVE AND EXCEPT the subdivision known as Memorial Village Townhouses Section 1and Memorial Village Townhouses Section 2, more particularly described by metes and bounds as follows;

BEGINNING at a point approximately 190 feet west along the north right-of-way of Barryknoll Lane from the intersection of Barryknoll Lane and the west right-of-way line of Bunker Hill Road;

THENCE, in a westerly direction approximately 570 feet along the north right-of-way of Barryknoll Lane to the southwest corner of Memorial Village Townhouses Section 2;

THENCE, in a northerly direction approximately 435 feet to a point for corner;

THENCE, in an easterly direction approximately 180 feet to a point for corner;

THENCE, in a northerly direction approximately 136 feet to a point for corner;

THENCE, in a westerly direction approximately 183 feet to a point for corner;

THENCE, in a northerly direction approximately 405 feet to the northeast corner of Memorial City Terrace Replat to a point for corner;

THENCE, in an easterly direction approximately 770 feet to a point in the west right-of-way line of Bunker Hill Road;

THENCE, in a southerly direction approximately 60 feet along the west right-of-way of Bunker Hill Road to a point for corner;

THENCE, in a westerly direction approximately 200 feet to a point for corner;

THENCE, in a southerly direction approximately 920 feet to the north right-of-way line on Barryknoll Lane and being the POINT OF BEGINNING.

AND SAVE AND EXCEPT a parcel of land abutting the Memorial Village Townhouses Section 1 and Memorial Village Townhouses Section 2 on the west, more particularly described by metes and bounds as follows;

BEGINNING at a point approximately 760 feet west of the northwest corner of the intersection of Barryknoll Drive and the west right-of-way line of Bunker Hill Drive,

THENCE in a southerly direction 20 feet to a point on the north right-of-way line of Barryknoll Drive;

THENCE in a westerly direction 528.47 feet;

THENCE in a northerly direction 996.56 feet;

THENCE in an easterly direction 528.47 feet;

THENCE in a southerly direction 976.29 feet TO THE POINT OF BEGINNING.

II. FH&R Market Study with Executive Summary

Multi-Use Economic and Demographic Analysis

The following document is a multi-use economic and demographic analysis of various trade areas surrounding Memorial City. This study provides a baseline analysis and projections for the future.

The analysis was prepared from many sources deemed to be reliable and presents the objective views of Allan Brown, the Director of Real Estate Services of FH&R.

All Questions about this document should be addressed to Allan Brown at FH&R
24 Greenway Plaza, Suite 900, Houston, Texas 77046.

Director of Real Estate Services FH&R

Summary Memorial City TIRZ

Memorial City is likely to survive the economic, demographic and competitive pummeling that it will take over the next five to ten years. Although the Memorial area is declining in population significant value and wealth remain in the area; which provides stability to the area. Spring Branch, surrounding "the villages" is experiencing some new development. However north of Westview and particularly along Longpoint and Hammerly the neighborhoods are in decline. The neighborhoods are composed of elderly persons and young poor families. Gang and drug problems persist but are being addressed as the City of Houston has a major presence in the area with a well-manned sub-station on Longpoint. This area could become the "new Bellaire" if the neighborhoods are stabilized. Housing values are typically 50% lower north of Westview than south of Westview with many homes priced under $60,000 on large lots.

Memorial City's market share is decreasing: Department store share of market has declined from 38.1% to 26.6% from 1985 to 1997.

Department Store Sales in west-side regional malls decreased by 4% between 1996 and 1997.

Town & Country Mall has been devastated by the construction of the Sam Houston Tollway. *Town & Country Mall is becoming more vacant every month. It is no longer a* viable regional mall and has been for sale at a very low price for a number of years. A community-sized shopping center north of I-10 is now vacant including a 10-screen theater and a Builders Square. Businesses north of I-10 will abandon their spaces as soon as construction begins along I-10. The viability of the businesses along the northern portion of I-10 has been highly dependent upon the two-way access provided by Old Katy Road, which will soon disappear.

The impact of the development of the Katy Mills Mall (1.6 million square feet of retail) will severely impact retail sales flowing out of the City of Houston and into Ft. Bend County.

The planned improvements for the TIRZ will alleviate a minor portion of the problems caused by the widening of Interstate 10, however if they are put into place rapidly it may save many of the businesses from going out of business or leaving the area. The area is not fully developed with the highest and best uses for much of the properties within the TIRZ boundaries, particularly on the northern side of I-10. The removal of the rail tracks has been the most positive event to encourage retailers and other businesses in the area. However as stated previously, the widening of I-10 which destroys the traditional patterns (deletion of Old Katy Road) of access to these businesses will be enough to make many of these businesses unprofitable. Most businesses can not sustain losses for very long but can easily move to areas that are not in decline and have fewer problems.

The With-TIRZ development program or takedown is based upon market trends and announced plans for development. It is assumed that the TIRZ improvements will become a reality in a timely manner, the I-10 widening will be accomplished in an expeditious and sensitive-to-business manner, and the economy of Houston will continue to expand.

The No-TIRZ development or takedown program assumes a more realistic scenario: which assumes minimal improvement to the area, a prolonged and highly disruptive widening and construction of I-10 (which is highly likely) and announced plans by developers may not come to fruition when the full impact of I-10 construction becomes apparent.

ALLAN BROWN DIRECTOR OF REAL ESTATE SERVICES FH&R

OVERVIEW OF SOURCES CITED

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I. Regional Malls

There are approximately 2,500 regional malls in the United States. In Texas, there are an estimated 136 regional malls, 21 of which are located in the Houston region. We are not including Westwood Mall in this analysis, for it is no longer considered a regional mall. The supply of regional shopping center space in the United States is equal to 5.7 sq. ft. per capita. In Texas, the ratio is estimated to be 5.1 sq. ft. per capita.

The Houston region includes Harris, Montgomery, Ft. Bend and Galveston counties. The population of these four counties is displayed in the table to the right.

County	1998 Population
Fort Bend	328,978
Galveston	246,014
Harris	3,191,947
Montgomery	263,953
Total	4,030,892

There is now an estimated 22,038,045 sq. ft. of Gross Leaseable Area (GLA) in this region. The resultant ratio between the 1998 population and total GLA is 5.5. This indicates the area is well served with regional mall space and is very competitive.

II. Demographics of Regional Malls

A. Population: The population within five miles of each mall is utilized for the defined trade areas. Population surrounding these malls varies considerably. The densest population surrounds Sharpstown Mall with a 1998 estimated population of 473,053. Memorial City's trade area population is at 326, 954. The Galleria is higher at 382,707, and First Colony is much lower at 121,497. The trade areas of Katy Mills, Mall of the Mainland and Brazos Mall are sparsely populated.

B. Population Growth 1990 –1998: The greatest population growth surrounds Willowbrook and Sharptown. The slow growth trade areas are those of Gulfgate, Brazos and Mall of the Mainland.

C. Average Household Income in Trade Areas: The Galleria's trade area has the highest average household income. There are six trade areas that have an average household income above $80,000: The Galleria, First Colony, Willowbrook, Town & Country, Memorial City and Baybrook. There are five trade areas that have an average household income under $50,000: Pasadena Town Square, Mall of the Mainland, Greenspoint, Northline and Gulfgate.

D. Per Capita Income: The highest per capita income is in the trade area surrounding The Galleria. The top seven trade areas that have a per capita income above $30,000 are as follows: The Galleria, Memorial City, Town & Country, Meyerland, Northwest and Baybrook. There are six trade areas that have a per capita income under $20,000: San Jacinto, Mall of the Mainland, Pasadena Town Square, Greenspoint, Northline and Gulfgate.

E. Gross Income: The most important measure of a mall's trade area is the total gross income (Per Capita Income X Population) and second, how it is divided among the competition. The gross income in the trade area surrounding The Galleria is estimated at $15.4 billion. Memorial City's trade area is estimated at $11.8 billion.

F. Poverty Households: The greatest concentrations of "Poverty Households" (Under $15,000 in Household Income) are around downtown, Gulfgate, Northline, Sharpstown and Meyerland. The malls with a low concentration are First Colony, The Woodlands, Deerbrook, Katy Mills and Brazos.

G. Wealthy Households: Wealthy households for this analysis include those with incomes over $150,000. The Galleria's trade area has the largest number of wealthy households estimated at 21,729. Memorial City's trade area ranks fourth with 15,671 wealthy households. The trade areas of The Galleria, Meyerland, Sharpstown, Memorial City and Town & Country overlap each other to a significant degree. The trade areas that have very few wealthy households include San Jacinto, Brazos, Gulfgate, Greenspoint and Mall of the Mainland.

H. Population and Employment: The trade area surrounding The Galleria has a larger population and a larger employment base than downtown. The trade areas in which employment is greater than resident population are: The Galleria, Downtown, Northwest, and Meyerland. The trade areas in which the population is much higher than employment are: Pasadena Town Square, Almeda, Brazos, San Jacinto, and the Woodlands.

I. Retail EmploymentRetail employment is, along with sales information, a very good indicator of the retail competitiveness of each trade area. The most competitive areas include The Galleria , Meyerland, Sharptown and Northwest . The lowest retail employment is found in the trade areas of Katy Mills, Mall of the Mainland, Brazos and San Jacinto Malls.

J. Eating and Drinking Place Employment: The trade area surrounding the Galleria is the most active in terms of restaurants and nighttime entertainment. Virtually all of the first quality establishments are near the Galleria. The weakest trade areas include the areas surrounding Mall of the Mainland, Katy Mills area, Brazos Mall and San Jacinto Mall in Baytown.

III. Analysis of Regional Malls

A. Gulfgate Mall: The first regional mall constructed in Houston was Gulfgate Mall, which opened in 1956, located in the southeastern suburbs at the intersection of Interstate 45 and Loop 610. The trade area surrounding Gulfgate Mall has the lowest per capita income and the lowest average household income of all the trade areas in the region. It is unlikely that this mall will be able to recover from the economic erosion of its trade area.

B. Meyerland Plaza: In 1957, Meyerland Plaza opened. The center has recently been remodeled and expanded. J.C. Penney is the major anchor of this center. The Meyerland trade area has an estimated population of 390,162 as of 1998. In 1980 the population was 335,539. By 1990, the population had grown to 363,247 an 8.26% increase. By the year 2003 it is expected the population should be over 400,000.

C. Sharpstown: The first mall to open during the 1960's was Sharpstown in 1961. The anchor stores are Foley's and Montgomery Ward. J.C. Penney is closing. This center was a dominant mall until the mid-nineties. Sharpstown is located at the intersection of the Southwest Freeway (U.S. 59) and Bellaire Boulevard. The gross income of the Sharpstown trading area is second only to the Galleria's trade area.

D. Northline: In late 1962, Northline Mall opened. It is located five air miles north of Houston's central business district and is surrounded by deteriorating neighborhoods. Montgomery Ward anchors the mall.

E. Memorial City: Memorial City opened in 1964 with Sears and, later, Montgomery Ward. The mall suffered in its early days due to its middle to low end image. A major expansion took place in the early seventies with the addition of Foley's, Frost Brothers and Lord & Taylor. The combination of Foley's and Lord & Taylor made Memorial City the most important mall serving the West Houston area. The loss of Frost Brothers and Lord and Taylor returned the mall to a "middle of the road" image. The addition of Mervyns, a major discounter, replacing Lord & Taylor damaged Memorial City with the fashion conscious shopper. Upgrading, renovations and good sales have helped the mall become stronger over the years. With the planned new Foley's store, the acquisition of Nordstrom's, the planned move of Neiman's from Town & Country and Lord & Taylor returning to the mall, Memorial City may again capture the fashion conscious shopper.

F. Town & Country VillageA year after Memorial City opened, a complex series of freestanding stores and clusters of smaller stores opened as Town & Country Village. This center is located one exit west of Memorial City on Interstate 10 where it intersects with the Sam Houston Tollway.Sakowitz anchored the center on the south near Memorial Drive and Joske's on the north. Recent re-development efforts have proven to be successful. The improvement in egress, ingress and signage helps make the shopping experience superior to that of Town & Country Mall and makes it one of the best new centers in Houston.

G. Almeda Mall: Almeda Mall opened in 1968. This mall is located seven miles southeast of Gulfgate Mall on Interstate 45 where it intersects Almeda-Genoa Road. It is anchored by Foley's and J.C. Penney. Almeda Mall's trade area has seen positive growth. Between 1980 and 1990 the population grew by 47.78%. During the 1990's the trade area has grown by 22.58%.

H. Northwest Mall: Northwest Mall opened in 1968 and is anchored by Foleys and J.C. Penney. It is a replica of Almeda Mall but has limited draw because it only has two anchors.

I. Galleria: The Galleria area is Houston's most important retail concentration and rivals downtown for dominance with respect to business activities. The retail mall is part of a major mixed-use development. It is accessible for Houston's affluent population and is one of Houston's most important tourist attractions.

J. Greenspoint Mall: Greenspoint opened in 1976. The opening of the Woodlands Mall, the expansion of Willowbrook and the recent increase in sales at Deerbrook Mall negatively impacted Greenspoint Mall. The most severe impact on the mall's reputation has been crime. Recent efforts appear to be improving this problem.

K. Baybrook Mall: Baybrook Mall is located in the Clear Lake area in far southeast Houston near the Johnson Space Center. The mall opened in 1978 with Sears, Montgomery Ward, and Joske's. The mall has enjoyed consistent success. Macy's was added, and Dillards now occupies the old Joske's space, while Macy's has closed. The mall has 177 stores and is highly successful.

L. Pasadena Town Square: Town Square opened in 1982 and is the smallest regional mall in the Houston area. It is anchored by Foley's and Dillards. It is located 12 miles southeast of Houston's central business district.

M. San Jacinto Mall: San Jacinto Mall opened in 1981 in the city of Baytown, Texas. It is located in the far eastern suburbs of Houston, 22 miles from downtown. It contains Foley's, Sears, Montgomery Ward and J.C. Penney. Mervyn's and Marshall's are also located in this mall. It is one of Houston's largest malls with 180 stores

N. Willowbrook Mall: This mall outperformed initial expectations and now dominates the retail landscape in the fast growing northwestern suburbs. Its trade area has a high average household income of $85,021. Only the Galleria's and First Colony's trade areas have slightly higher average household incomes.

O. Town & Country CenterTown and Country Center opened in 1983 and is anchored by Dillards, J.C.Penny, and Neiman Marcus. Marshall Fields closed and it is likely that this mall will lose all of its anchors within the next few years. This mall was hurt by the construction and reconfiguration of the Sam Houston Tollway. This three-level mall has always suffered from accession problems due to confusing and separate garages. This mall competes in the exact same trade area as Memorial City.

P. West Oaks: West Oaks Mall is located at the intersection of Westheimer and Texas Highway 6 in west Houston. It is anchored by Dillards, J.C. Penney, Sears, and Mervyn's. The opening of Katy Mills Mall will impact West Oaks Mall.

Q. Deerbrook Mall: Deerbrook Mall opened in 1984 and was the last mall to open during the 1980's. The mall opened with Macy's, Foley's and Sears. The mall has struggled to attract sufficient customers until recently. This may be in direct correlation with the additions of Dillards and JC Penney, along with the new AMC 24 Theater.

R. Mall of the Mainland: The Mall of the Mainland is located in Galveston County midway between Clear Lake and Galveston Island. This mall opened in 1991 and contains Foley's, Dillards and 54 other stores. While the Mall of the Mainland is relatively new it has suffered primarily due to the lack of any significant population base and low gross income. This is directly reflected in the mall's inability to attract tenants. It has the fewest tenants of any regional mall in the area. In contrast, department store sales at this mall are increasing at a healthy rate.

S. Woodlands: The Woodlands Mall opened in 1994 and is anchored by Dillard's, Foley's, Mervyn's and Sears. The Woodlands mall serves the northern suburbs of Houston, and its physical draw is very large.

T. First Colony Mall: First Colony Mall opened in 1996 and is anchored by Foley's, Dillards, J.C. Penney and Mervyn's. First Colony Mall is located in Fort Bend County, southwest of Houston. It is located in one of the fastest growing areas in the country. The average household income of the trade area rivals that of the Galleria, Katy Mills and Houston Premium Outlets.

U. Katy Mills Mall: This mall will physically intercept customers that would normally be customers of Town & Country and Memorial City Mall. The economic impact of this mall will be between $400 to $500 million in retail sales, much of which will be drawn from the Memorial City trade area.

V. Trade Area Overlap and Cross Shopping Patterns

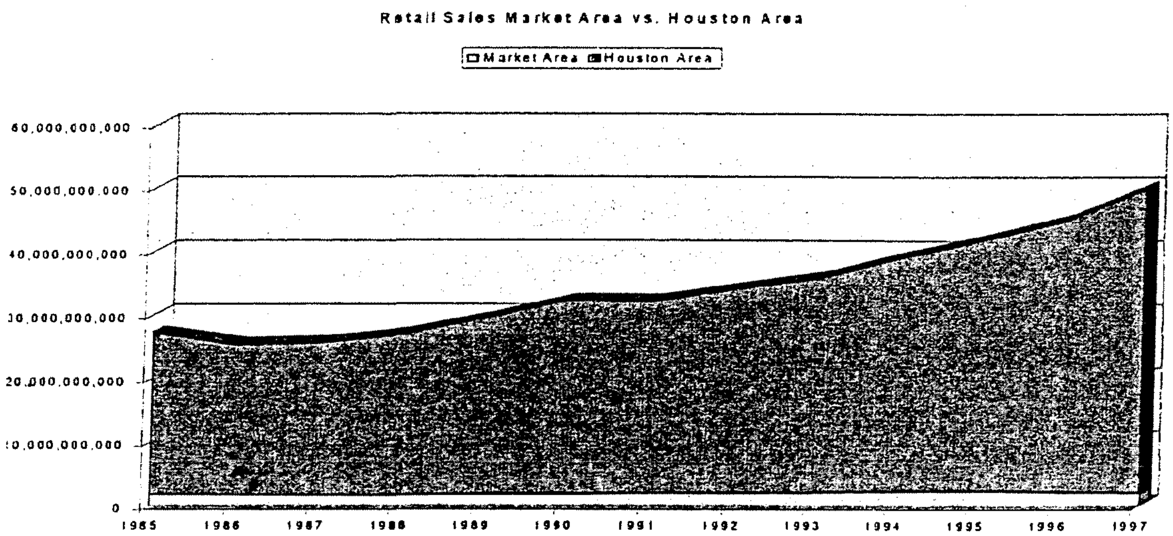
Cross shopping patterns indicate that the impact of Memorial City on Town & Country Mall is virtually synonymous with the physical overlap of their trade areas. 57% of Memorial City Shoppers also shop

Regional Center	*% Overlap with Memorial City's Trade Area*
Town & Country	86.36%
Sharpstown	33.09%
Northwest	32.96%
Galleria	32.37%
Westwood	21.94%
West Oaks	20.17%
Meyerland	9.40%

at Town & Country. More Northwest Mall Shoppers shop Memorial City than would be expected and the West Oaks Mall Shopper is highly likely to also shop Memorial City.

Regional Center	Shoppers of Other Malls who also Shopped at Memorial City	Memorial City Shoppers who Also Shopped at
Town & Country	84%	57%
Sharpstown	35%	34%
Northwest	43%	21%
Galleria	30%	34%
West Oaks	60%	34%
Meyerland	15%	9%

W. Retail Sales



The following chart show the comparison of the market area's retail sales from 1985 to 1997 with the overall Houston region. Significant declines have been recently experienced in the market area. This could signal a downward trend for the area.

Retail Sales	Market Area	% Change	Houston Area	% Change
1985	1,593,508,026		25,667,106,235	
1986	1,570,921,154	-1.4%	23,780,455,224	-7.4%
1987	1,400,197,113	-10.9%	24,318,270,342	2.3%
1988	1,432,671,895	2.3%	25,558,263,644	5.1%
1989	1,592,212,067	11.1%	27,958,643,665	9.4%
1990	1,709,753,719	7.4%	30,650,910,530	9.6%
1991	1,843,284,841	7.8%	30,401,807,824	-0.8%
1992	1,895,448,024	2.8%	32,242,837,268	6.1%
1993	1,960,029,026	3.4%	33,820,499,309	4.9%
1994	2,114,004,601	7.9%	36,914,891,057	9.1%
1995	2,237,212,796	5.8%	39,549,431,697	7.1%
1996	2,034,510,960	-9.1%	42,810,151,201	8.2%
1997	1,927,765,237	-5.2%	48,097,686,073	12.4%

1. Department Store Sales

Department store sales in regional malls have fluctuated significantly over the past 13 years. In 1985 and 1986 sales actually decreased. In the later part of the 1980's department store sales in regional malls increased and then had significant gains until 1997 when two major regional malls negatively impacted sales in Harris County.

2. Apparel Store Sales Regional Malls

Apparel store sales remain weak with sales projected to increase less than 4% for the foreseeable future. Directly competitive malls are projected to have a decreasing share of market dropping from 27.8% in 1997 to 25.9% in 2005.

3. Furniture and Home Furnishing Store Sales in Regional Shopping Malls

Furniture and home furnishing store sales in regional malls have been up and down over the past 13 years. In 1997 sales were up by 6.33%. Long term projections suggest that a moderate growth of under 3% per year is expected. Directly competitive malls capture a large proportion of these types of sales. By 2005 the directly competitive malls should see their market share slip to 43%.

4. Misc. Shopping Goods Stores

Miscellaneous shopping goods stores have wide fluctuations in sales. In 1997 these stores reported the highest sales gain (19.15%) they have had over the past 13 years. Projections based upon linear regression indicate that sales increases should average between 3% to 5.5% over the next seven years. Again directly competitive malls will lose market share from 31.8% in 1997 to 27.9% in 2005.

X. Memorial City Economic Impacts.

Memorial City Mall's "share of market" over the next seven years will be impacted by a number of endogenous and exogenous factors. The immediate neighborhood is composed of an older urbanized area that may experience some re-development.

1. Positive Impacts

- Possible increase in GLA
- Possible increase in the quality of department stores
- Re-merchandising of small stores
- Reduced competition from Town & Country
- Moderate population growth
- Improved infrastructure access/egress after the completion and widening of Interstate-10 in 2013.

2. Negative Impacts

- Construction and widening of Interstate 10 beginning in 2003.

- Opening of a minimum of 1,600,000 square feet of Shopping Center Space west of Memorial City - $400 to $500 million in sales will draw at least one-third of their sales from Memorial City's trade area.
- Neighborhoods to the north (half the physical trade area) continue to become an area of poverty.
- Population losses in older neighborhoods, the Villages, and Memorial. The residual population is composed of many elderly, empty-nesters.

3. Major Challenges

- To preserve the Memorial City area and possibly enhance this activity center so that it can survive the economic and demographic changes that are moving activity to the west of Houston.
- To create an environment conducive to business remaining in the "City."
- To enhance the surrounding environs to help retain and expand Memorial Herman Health Care Facilities.
- To create a healthy environment for restaurants.
- To develop concurrent cultural and educational facilities in the area.
- To reduce crime and upgrade neighborhoods to protect the activity center.

Y. Conclusions Regional Mall Analysis

As the population of suburban Houston matures, dramatic shifts are taking place in demography and employment patterns. There are declines evidenced by a transfer of retail sales into the far suburban areas of the region. Inner-city department store closings are becoming commonplace. Montgomery Ward is in bankruptcy nationally and has the potential of closing stores in the Houston region. J.C. Penney is closing stores in Greenspoint and Sharpstown. Dillards closed its department store in Gulfgate and announced closure of its Westwood store. Both Marshall Fields and Macy's have closed stores. The last Macy's is located in the Galleria. New additions to the market area may include Nordstroms, the most sought after department store in the country. They have "announced" that they intend to open a store in Memorial City Mall. Further, Neimans announced its intent to close their store in Town & Country Center and move it to Memorial City in the hope that the association with Nordstroms will increase their sales over the dismal levels they experienced at Town & Country.

Memorial City is likely to survive the economic, demographic and competitive pummeling it will take over the next five to ten years. It appears from our thorough analysis of the retail landscape that retail sales in the trade area will be sufficient to sustain the mall and provide a modest amount of growth in sales. The impact of Nordstroms department store on the mall, if it becomes a reality, may be prove to be positive for the mall. However, there is the likelihood it will take business away from other stores in the trade area or from competing department stores in other malls. It will not increase the total sales of department stores in Harris County or the trade area.

The expansion of Memorial City Mall will shift much of the remaining GAFO sales from Town & Country Center (Mall) to Memorial City, if Town & Country Mall remains open.

There is now, and will be in the future, more than enough department store and regional shopping center space servicing the trade area. In general the trade area is overbuilt with this type of retail space.

The impact of the Katy Mills Mall will initially be severe with an expected overall drop in sales of directly competing stores of up to 16%. The impact of I-10 could be even more severe.

IV. Ancillary Retail Shopping Centers

There are numerous convenience shopping opportunities for the consumer in this area. Shopping center development started in the fifties. There are now 48 centers in this area containing 4,129,946-sq. ft. of GLA.

Market Area	Gross Leaseable Area	Occupied Space	Occupancy Rate
Shopping Centers North of Interstate 10	1,287,907	1,103,171	85.7%
Shopping Centers South of Interstate 10	2,842,039	2,631,509	92.6%

Convenience shopping centers are not expected to grow at a significant rate south of I-10. However, it is expected that north of I-10, along Old Katy road, significant development could take place as retailers and other businesses locate in these highly visible areas. Businesses such as mini-storage should proliferate, as these businesses will not be significantly interrupted by the eventual construction of Interstate 10. Unless significant monies are spent to improve access, it is likely that low quality retailers such as carpet outlets and used car facilities will be attracted to this area. Leasing of land until the freeway is nearly complete will be popular. This has the real potential to create deleterious low quality land uses, which could keep land values low.

If a higher quality environment can be created via a management district or other mechanism, the status quo development pattern of low end uses on the north side of the freeway may be avoided.

If this higher quality environment is created, the positive re-development of the Memorial City area could spill onto the northern side of the freeway. The area then could support an additional 250,000 to 350,000 sq. ft. of mid to higher quality retail operations over the next five years.

V. Food Service Industry

A. Restaurant Expenditures In Harris County amounts to a $4.2 billion market as of 1997

Eating & Drinking Establishments Volume	State	Harris County	Share
	1997 Sales	1997 Sales	Share of State
Food Establishments No alcohol	15,100,950,915	2,883,568,609	19.1%
Beer & Wine Bars	945,333,361	230,005,432	24.3%
Mixed Beverage Bars	490,531,713	94,480,725	19.3%
Restaurants with Beer & Wine	1,663,609,647	393,699,353	23.7%
Restaurants with Mixed Beverage Permits	2,550,206,308	626,693,656	24.6%

The overall trends for Harris County are:

- ***Continued increases in the number of food outlets without alcohol permits and steady increases in sales.***
- ***Decreases in the number of beer / wine and mixed beverage permitted establishments and a corresponding increase in sales per establishment.***
- ***Decreases in the number of restaurants with alcohol permits and increases in sales per establishment.***

B. Market Area Analysis

Eating & Drinking Establishments by Type	#	1997 Sales	Share of Harris Co.
Food Establishments No alcohol	71	163,085,960	5.66%
Beer & Wine Bars	18	9,385,328	4.08%
Mixed Beverage Bars	10	3,502,343	3.71%
Restaurants with Beer & Wine	22	31,696,774	8.05%
Restaurants with Mixed Beverage Permits	31	43,172,020	6.89%
Total	152	250,844,422	5.93%

While it is unlikely that this area will have a large increase in the number of food service operations, it is likely that the quality, variety, and unique operations will continue to cluster near the successful operations of the Pappas and the Taste of Texas facility. Any pad property facing Interstate 10 can and will be sold or leased to food service operations. Most of the restaurant operations are located on the south side of the freeway. Land prices for the best sites on the north side of the freeway with visibility will more than double within the next five years. At least five and maybe as many as ten new operations will open in close proximity to Memorial City/Town & Country if access is improved and utilities are provided. Each of these operations will typically cost an average of $800,000 to $1,500,000.

C. Sales Trends by Category in the Market Area

Year	Food Establishments No alcohol	%	Beer & Wine Bars	%	Mixed Beverage Bars	%	Restaurants with Beer & Wine	%	Restaurants with Mixed Beverage Permits	%
1990	103,621,404		5,113,728		241,602		15,769,948		28,469,095	
1991	109,101,250	5.3%	5,703,785	11.5%	367,145	52.0%	19,603,703	24.3%	31,486,795	10.6%
1992	108,678,277	0.4%	7,498,488	31.5%	839,364	128.6%	24,289,081	23.9%	32,918,919	4.5%
1993	118,012,739	8.6%	8,180,907	9.1%	3,768,703	349.0%	27,582,056	13.6%	38,633,067	17.4%
1994	128,256,146	8.7%	8,246,828	0.8%	459,913	-87.8%	29,445,131	6.8%	39,915,599	3.3%
1995	143,373,087	11.8%	7,873,850	-4.5%	1,178,199	156.2%	30,871,735	4.8%	39,590,278	-0.8%
1996	148,952,536	3.9%	9,042,542	14.8%	875,469	-25.7%	31,359,050	1.6%	40,815,665	3.1%
1997	163,085,960	9.5%	9,385,328	3.8%	3,502,343	300.1%	31,696,774	1.1%	43,172,020	5.8%

D. Area Restaurants

There are 68 restaurants worth mentioning in the market area. The other 90 consist of fast food or mom & pop operations. There are fifteen American style restaurants and six Tex-Mex restaurants. Chinese restaurants which are generally very numerous, have five quality restaurants in the market area. There are four each of steak restaurants and burger restaurants and a smattering of other types.

Cuisine	Number	CuisineCuisine	Number
American	15	Pizza	2
Tex-Mex	6	Cajun	1
Chinese	5	Deli	1
Burgers	4	Hot dogs	1
Steak	4	German	1
Bakery	2	Korean	1
Barbecue	2	South American	1
Continental	2	Mexican	1
Japanese	2	Seafood	1
		Thai	1

E. Recommendations

- *Develop and strengthen the restaurant cluster along I-10. Upgrade the quality of restaurants and avoid the common and chain operations that are ubiquitous in the area*
- *Create an entertainment center that would include family entertainment as well as restaurants.*
- *Create a high quality restaurant cluster on the north side of I-10 made up of ethnic operations.*

VI. Transient Lodging Facilities

A. Memorial City Mall Trade Area Transient Lodging Facilities

The hotels located within the immediate vicinity of Memorial City Mall are the Radisson Town and Country, Houston Marriott Westside, Days Inn West, and Quality Inn. The total number of rooms for these four hotels is 886. The total revenues generated by these hotels for 1997 is $16,260,977. The Houston Marriott Westside is the only facility with a conference center in the immediate vicinity of Memorial City Mall.

Commercial room rates vary from a low of $40.00 per night to a high of $157.00 per night. The average room rate for hotels within 5 miles of Memorial City is approximately $72.70.

B. Trade Area Occupancy Levels

Occupancy levels vary significantly in the trade area. The Houston Marriott West Side appears to be the preferred location of the discriminating business traveler. The Radisson Town and Country's occupancy is at 57.37%. The Adam's Mark in Westchase is at 49.68%. Average estimated occupancy rate for hotels within 5 miles of Memorial City is approximately 56%.

C. Summary

The overall trend for hotels in Harris County has been an expansion in the number of hotels without a corresponding growth in revenue per facility. This results in declining average revenue per hotel. The average revenue per hotel in Harris County is $1,064,009. The average revenue for hotels within 5 miles of Memorial City Mall is $3,014,559 for 1997. The average revenue for the four hotels within the immediate vicinity of Memorial City Mall is $4,065,244 for 1997.

It appears that the upper end of the market is relatively healthy and should see the addition of several facilities within the next five years if a high quality environment is created.

It is recommended that a first quality hotel be developed adjacent to the hospital complex with visibility from the freeway. This facility should be modeled after the Marriott's Jesse Jones Facility in the Medical Center.

It appears that demand levels are sufficient to consider the development of approximately 600 high quality rooms over the next five years in two facilities.

Note: The revenue data were gathered using tax records for 1984 – 1997. Some facilities may have emerged, changed identities or shut down since then. Every effort has been made to track these facilities and identify them. One specific case should be noted which is Executive Lodging. They were omitted because the estimate derived from analysis is inconclusive and inconsistent.

VII. High Density Residential

The demand for new residential land uses near Memorial City is great at this time because of the lack of available land.

The vacancy rate in apartment complexes is low in all the complexes surveyed. The average occupancy is slightly higher in complexes north of Interstate 10. Rental rates are much lower north of I-10 than south of I-10. The area appears ripe for the development of newer high-density apartments. To upgrade the area and keep the area from economic erosion, the development of condominium projects should be considered. Only high security apartments or mid-rise elevator complexes should be built in the immediate vicinity of the mall. Rental rates in excess of $1.00 per sq.ft. for high quality new apartments should be attainable close to the mall. Several of the projects on the north side of I-10 should be acquired and renovated or demolished to upgrade the area.

North of I-10

	Rent Sq.ft.	Units	Vacancy	Occupancy Rate	Age
Ivy Club Apartments	$ 0.741	205	10	95%	25
Blalock Woods Apartments	$ 0.634	300	15	95%	23
Blalock Apts	$ 0.542	80	5	94%	25
Cedar Branch Apts	$ 0.588	236	7	97%	17
Timber Trace Townhomes	$ 0.509	27	0	100%	15
		848	37	96%	

South of I-10

	Rent Sq.ft.	Units	Vacancy	Occupancy Rate	Age
Village Place Apts	$ 0.771	84	2	98%	34
Memorial Creole Apartments	$ 0.978	155	2	99%	32
Le Renaissance Apartments	$ 0.827	164	1	99%	27
Kingsbrook Apartments	$ 0.765	94	0	100%	25
Fox Hall Apartments The	$ 0.906	306	18	94%	25
Memorial City Apts	$ 0.761	422	0	100%	30
		1225	23	98%	

VIII. General Purpose Office Space

A. Market Area Supply of General Purpose Office Space.

The total inventory of General Purpose Office space is 16.2 million sq.ft. of space in this market area. The 1990's have seen a modest amount office space development in this market area estimated at 1.1million sq. ft. The supply of space is expected to continue to expand at a healthy rate of at least 500,000 sq.ft. per year. Of this total, the Memorial City area could capture approximately 100,000 per year if improvements to the area are substantial.

Decade	Supply of GP Office Space in Square Feet	%
1960's	359,367	2.2%
1970's	2,623,963	16.2%
1980's	12,142,661	74.8%
1990's	1,117,776	6.9%
Total	16,243,767	100.0%

B. Demand for General Purpose Office Space in the Market Area

Currently, the demand for office space is at 93.5%. The total demand is up to 15.2 million sq.ft. of occupied office space.

C. Supply Demand Relationship by Class in the Market Area

The supply/demand relationship by class for office space reveals a somewhat different pattern. Both Class A and Class B buildings are functionally full while there remains space available in the Class C and Class D buildings.

Class	Supply of Office Space	Occupied Square Feet	Occupancy Rate
A	6,685,534	6,341,229	94.9%
B	6,765,500	6,426,264	95.0%
C	2,645,427	2,293,416	86.7%
D	147,306	123,192	83.6%

D. Absorption of Office Space in the Market Area

Over the past three years, absorption has averaged 411,376 sq. ft. Most of the absorption has taken place in Class B buildings. Because there is so little space available in Class A space, little absorption can take place until new buildings are completed. Total available space is approximately 652,000 sq. ft. There is now approximately an 18 month supply of office space in the market area which indicates that rental rates will continue to rise rapidly and new development should occur.

Without major infrastructure development <u>and</u> office park development, most office buildings will continue to be constructed west of the immediate Memorial City area.

To meet demand, at least 500,000 sq. ft. of office space will have to be added to this market area annually. This will amount to a maximum of five buildings per year and a minimum of two for the foreseeable future.

Class	Absorption			3 Year
	1995	1996	1997	Average
Class A	6,755	40,858	23,132	23,582
Class B	429,269	181,394	269,243	293,302
Class C	11,230	43,335	212,157	88,907
Class D	11,583	2,559	2,613	5,585
	458,837	268,146	507,145	411,376

The additions to the supply of office space in close proximity to Memorial City has been constrained by the availability of high quality sites where an office building developer could create an office park environment.

Office building developers have successfully built buildings north of I-10, and now that the railroad tracks are gone, the interest from office building developers should be substantial. However, the quality of building sites within the "Energy Corridor" will probably pull office development to the west, unless an excellent environment can be created north of I-10.

There are sites large enough within the planning area to accommodate the development of several office parks if the infrastructure is created to provide ease of development.

We project that the office market is strong enough to suggest that 600,000 sq.ft. of General Purpose Office space can be successfully developed in the area over the next five years.

IX. Professional and Medical Office Buildings

A. Katy Freeway Corridor

There are 18 POBs located along the Katy Freeway. These buildings contain approximately ten percent of the POB space in the Houston area. The market for Professional and Medical office buildings in the Katy Freeway Corridor is very good.

Absorption of Professional and Medical office space is healthy along the Katy Freeway Corridor. There is now a twelve-month supply of this type of office space assuming that absorption in 1998 is the same as it was in 1997. The lack of available Professional and Medical office space should spur the conversion of General-purpose office space into Professional and Medical office space or the construction of several new buildings in the near term.

Class	Leasable Area	% of Total	Vacancy	% of Total	Occupancy	Rental Rate
B	730,818	73.73%	83,062	88.63%	88.63%	$15.04
C	260,388	26.26%	19,688	92.44%	92.44%	$12.91
	991,206	100.00%	102,750	100.00%	89.63%	$14.44

It appears that with no new additions to the supply of hospital beds or other ancillary generators, the Katy Freeway Corridor could absorb between 50,000 to 75,000 square of POB space annually for the next five years.

The impact of expansion plans, if they take place, at Memorial/Hermann could spur the demand for POB space adjacent to the hospital. Ancillary demand should remain healthy and provide for new development along the Katy Freeway Corridor in other locations, particularly on undeveloped sites and underutilized sites. This is very dependent upon adequate utilities and other infrastructure elements.

I. Nature of Assignment

The nature of this assignment is to provide in-depth demographic and market information to help identify potential growth scenarios for the support of improvements to the Memorial City area and meet statutory requirements. Included is an overview of the region, comparisons with other competing activity centers, trends and projections for the related uses with respect to shopping, living, working, and entertaining.

II. Regional Malls

There are approximately 2,500 regional malls in the United States. In Texas there are an estimated 136 regional malls, 22 of which are located in the Houston region. The supply of regional shopping center space in the United States is equal to 5.7 sq. ft. per capita. In Texas, the ratio is estimated to be 5.1 sq. ft. per capita.

The Houston region includes Harris, Montgomery, Ft. Bend and Galveston counties. The population of these four counties is displayed in the following table to the right.

County	1998 Population
Fort Bend	328,978
Galveston	246,014
Harris	3,191,947
Montgomery	263,953
Total	4,030,892

There is now an estimated 22,038,045 sq. ft. of Gross Leaseable Area (GLA) in this region. The resultant ratio between the 1998 population and total GLA is 5.5. This indicates the area is well served with regional mall space and is very competitive. This is also true for the anchors of the regional malls-department stores.

III. Demographics of Regional Malls

A. Population

The population within five miles of each mall is utilized for the defined trade areas. Population surrounding these malls varies considerably. The most dense population surrounds Sharpstown Mall with an estimated 1998 population of 473,053. Memorial City's trade area is at 326, 954. The Galleria is higher at 382,707, and First Colony is much lower at 121,497.

The trade areas of Katy Mills, Mall of the Mainland and Brazos Mall are sparsely populated.

B. Population Growth 1990 -1998

Population growth by trade area is significantly different for each mall. The greatest growth surrounds Willowbrook, Westwood and Sharptown. The slow growth trade areas are those of Gulfgate, Brazos and Mall of the Mainland.

C. Average Household Income in Trade Areas

The highest average household income is in the trade area surrounding The Galleria There are six trade areas that have an average household income above $80,000: The Galleria, First Colony, Willowbrook, Town & Country, Memorial City and Baybrook. There are five trade areas that have an average household income under $50,000: Pasadena Town Square, Mall of the Mainland, Greenspoint, Northline and Gulfgate.

D. Per Capita Income

The highest per capita income is in the trade area surrounding The Galleria. The top seven trade areas that have a per capita income above $30,000 are as follows: The Galleria, Memorial City, Town & Country, Meyerland, Northwest and Baybrook. There are six trade areas that have a per capita income of under $20,000: San Jacinto, Mall of the Mainland, Pasadena Town Square, Greenspoint, Northline and Gulfgate.

E. Gross Income

The most important measure of a mall's trade area is the total gross income (Per Capita Income X Population) and second, how it is divided among the competition. The gross income in the trade area surrounding The Galleria is estimated at $15.4 billion. Memorial City's trade area is estimated at $11.8 billion.

F. Poverty Households

The greatest concentrations of "Poverty Households" (Under $15,000 in Household Income) are around downtown, Gulfgate, Northline, Westwood, Sharpstown and Meyerland. The malls which have very few "Poverty Households" are: First Colony, The Woodlands, Deerbrook, Katy Mills and Brazos.

G. Wealthy Households

Wealthy households for this analysis include those with incomes over $150,000. The Galleria's trade area has the largest number of wealthy households estimated at 21,729. Memorial City's trade area ranks fourth with 15,671 wealthy households. The trade areas of The Galleria, Meyerland, Sharpstown, Memorial City and Town & Country overlap each other to a significant degree.

The trade areas that have very few wealthy households include San Jacinto, Brazos, Gulfgate, Greenspoint and Mall of the Mainland.

H. Population and Employment

The trade area surrounding The Galleria has a larger population and a larger employment base than downtown. The trade areas in which employment is greater than resident population are: The Galleria, Downtown, Northwest, and Meyerland.

The trade areas in which the population is much higher than employment are: Pasadena Town Square, Almeda, Brazos, San Jacinto, and the Woodlands.

I. Retail Employment

Retail employment is, along with sales information, a very good indicator of the retail competitiveness of each trade area. The most competitive areas include The Galleria trade area, Meyerland, Sharptown and Northwest . The lowest retail employment is found in the trade areas of Katy Mills, Mall of the Mainland, Brazos and San Jacinto Malls.

J. Eating and Drinking Place Employment

Eating & Drinking Place Employment is a strong indication of an area having any life after 5:00 P.M. The trade area surrounding the Galleria is the most active in terms of restaurants and night-time entertainment. Virtually all of the first quality establishments are near the Galleria. Meyerland shares much of the Galleria's trade area, as do Sharptown and Northwest Mall. The weakest trade areas include the areas surrounding Mall of the Mainland, Katy Mills area, Brazos Mall and San Jacinto Mall in Baytown. Memorial City's trade area is lower than the most important areas.

IV. Analysis of Regional Malls

Existing Regional Malls	*Gross Leaseable Area*
Almeda	806,000
Baybrook	1,094,000
Brazos	650,000
Deerbrook	1,271,715
First Colony	1,500,000
Greenspoint	1,706,117
Gulfgate	800,000
Mainland	782,495
Memorial City	1,330,834
Meyerland	890,000
Northline	850,000
Northwest	806,497
Pasadena	745,000
San Jacinto	1,156,000
Sharpstown	1,344,332
The Galleria	1,578,431
The Woodlands	1,027,000
Town & Country	1,047,000
West Oaks	1,070,660
Westwood	613,000
Willowbrook	1,468,964
Total GLA	22,538,045

A. Gulfgate Mall

The first regional mall constructed in Houston was Gulfgate Mall located in the southeastern suburbs at the intersection of Interstate 45 and Loop 610. It opened in 1956 and now contains 867,000 sq. ft. of gross leaseable area (GLA).

The trade area surrounding Gulfgate Mall has the lowest per capita income and the lowest average household income of all the trade areas in the region. It is unlikely that this mall will be able to recover from the economic erosion of its trade area.

B. Meyerland Plaza

In 1957, Meyerland Plaza opened. The center originally contained 867,200 sq. ft. of GLA and has recently been remodeled and expanded. It now contains 890,000 sq. ft. J.C. Penney is the major anchor of this center.

The Meyerland trade area has an estimated population of 390,162 as of 1998. In 1980 the population was 335,539. By 1990, the population had grown to 363,247 a 8.26% increase. By the year 2003 it is expected the population should be over 400,000.

C. Sharpstown

The first mall to open during the 1960's was Sharpstown in 1961. It contains approximately 1,344,332 sq. ft. of GLA. It is anchored by Foley's and Montgomery Ward. J.C. Penney is closing. This center was a dominant mall until the mid nineties. There has since been a major change in the Sharpstown's customer base to a lower income customer. Sharpstown is located at the intersection of the Southwest Freeway (U.S. 59) and Bellaire Boulevard. It was one of the most successful malls in Houston for many years.

The gross income of the Sharpstown trading area is second only to the Galleria's trade area.

D. Northline

In late 1962, Northline Mall opened. It is located five air miles north of Houston's central business district and is surrounded by deteriorating neighborhoods. The mall is anchored by Montgomery Ward.

E. Memorial City

Memorial city opened in 1964 with Sears and, later, Montgomery Ward and totaled just over 700,000 sq. ft. of GLA. The mall suffered in its early days due to its middle to low end image. A major expansion took place in the early seventies with the addition of Foley's, Frost Brothers and Lord & Taylor. The combination of Foley's and Lord & Taylor made Memorial City the most important mall serving the west Houston area. The loss of Frost Brothers and Lord and Taylor returned the mall to its middle of the road image. The addition of Mervyns, a major discounter, replacing Lord & Taylor damaged, Memorial City with the fashion conscious shopper. Upgrading, renovations and good sales have helped the mall become stronger over the years. With the planned new Foley's store, the acquisition of Nordstrom's, the planned move of Neiman's from Town & Country, Lord & Taylor coming back in the mall, Memorial City may again capture the fashion conscious shopper.

F. Town & Country Village

A year after Memorial City opened, a complex series of freestanding stores and clusters of smaller stores opened as Town & Country Village. This center is located one exit west of Memorial City on Interstate 10 where it intersects with the Sam Houston Tollway.

An inefficient and confusing interior road system was developed to serve the retail stores. Town & Country Village was anchored by Sakowitz, a local upscale retailer-which went bankrupt-on the south near Memorial Drive and by Joske's on the north. Recent re-development efforts have proven to be successful. The road system was simplified. The improvement in egress and ingress, signage and an excellent feeling of high quality makes the shopping experience superior to that of Town & Country Mall.

It is beautiful new center with first quality tenants makes this center one of the best new centers in Houston.

G. Almeda Mall

Almeda Mall opened in 1968. This mall is located seven miles southeast of Gulfgate Mall on Interstate 45 where it intersects Almeda-Genoa Road. It is anchored by Foley's and J.C. Penney. The mall contains 807,046 sq. ft. of GLA and 78 stores. The population of the Almeda Mall trade area is 182,717 as of 1998. Almeda Mall's trade area has good growth. Between 1980 and 1990 the population grew by 47.78%. During the 1990's the trade area has grown by 22.58%.

H. Northwest Mall

Northwest Mall was opened in 1968 and is anchored by Foleys and J.C. Penney. It is a replica of Almeda Mall mall is changing its demographic base as much of the surrounding neighborhood area has changed. The mall has limited draw because it only has two anchors.

I. Galleria

The Galleria is Houston's most important shopping experience.

The Galleria area is Houston's most important retail concentration and rivals Houston's downtown for dominance with respect to most business activities. The center of the Galleria's trade area is The Galleria, a 1,578,431 sq. ft. retail mall that is the fashion center of Houston, Texas. The retail mall is part of a major mixed use development. It is the most accessible place for Houston's most affluent population, and is also one of Houston's most important tourist attractions. Its draw is international with many shoppers coming from Central America.

Population growth in the trade area is expected to remain slow. Only the trade areas of downtown, Gulfgate and Northline Malls have slower growth rates.

J. Westwood

Westwood Mall opened in 1975. It is located at the intersection of the Southwest Freeway (U.S. 59) and Bissonnet. The mall contains 738,000 sq. ft. of GLA and is anchored by Sears and Dillards. Dillards is closing and many of the smaller stores are expected to exit the mall. The mall was originally conceived as a fashion mall but has declined dramatically in recent years. The surrounding neighborhood decline, particularly in the adjacent apartments, has been the primary reason this mall has gone into decline. The final death blow came when First Colony Mall opened. First Colony has also negatively affected Sharpstown.

The trade area unfortunately contains a large number of persons under 65 that are below the poverty level. Only the trade areas of downtown, Gulfgate, and Northline have greater number of persons below the poverty level.

K. Greenspoint Mall

Greenspoint opened in 1976. It is located at the intersection of Interstate 45 and Sam Houston Parkway. The mall now contains 1.5 million sq. ft. of retail space. It was negatively impacted by the opening of the Woodlands Mall, the expansion of Willowbrook and the recent increase in sales at Deerbrook Mall. The most severe impact on the mall's reputation has been crime. Recent efforts appear to be ameliorating this problem.

L. Baybook Mall

Baybrook Mall is located in the Clear Lake area in far southeast Houston near the Johnson Space Center. The mall opened in 1978 with Sears, Montgomery Ward, and Joske's. At that time the mall had 728,299 sq. ft. of GLA. The mall has enjoyed consistent success. Macy's was added along with an additional 70,000 sq. ft. of small store space, but Macy's has since been shuttered. The mall now contains 1,088,800 sq. ft. Dillards now occupies the old Joske's space. The mall has 177 stores and is highly successful.

M. Pasadena Town Square

Town Square opened in 1982 and is the smallest regional mall in the Houston area with 579,149 sq. ft. of GLA. It is anchored by Foley's and Dillards. It is located 12 miles southeast of Houston's central business district. The City of Pasadena is a middle class blue-collar community.

N. San Jacinto Mall

San Jacinto Mall opened in 1981 in the City of Baytown, Texas and is located in the far eastern suburbs of Houston, 22 miles from downtown. It contains Foley's, Sears, Montgomery Ward and J.C. Penney. Mervyn's and Marshall's are also located in this mall. It contains 1,156,000 sq. ft. of GLA and is one of Houston's largest malls with 180 stores

This mall will continue to suffer due primarily to low population density and lower incomes. However, because there is so little competition it is likely the mall's stores will remain in business.

O. Willowbrook Mall

The mall outperformed initial expectations and now dominates the retail landscape in the fast growing northwestern suburbs. Willowbrook mall now contains 1,468,964 sq. ft. It's trade area has a high average household income of $85,021. Only the Galleria's and First Colony's trade areas have slightly higher average household incomes.

P. Town & Country Center

Town and Country Center opened in 1983 and is anchored by Dillards, J.C.Penny, and Neiman Marcus. Marshall Fields closed their department store in this mall and is likely that this mall will lose all of its anchors within the next few years.

This mall was fatally hurt by the construction and reconfiguration of the Sam Houston Tollway and poor sales performance. This three level mall has always suffered from ingress and egress problems due to confusing and separate garages. It contains 1,047,000 sq. ft. of GLA, much of which is now vacant. This mall competes in the exact same trade area as Memorial City.

Q. West Oaks

West Oaks Mall is located at the intersection of Westheimer and Texas Highway 6 in west Houston. It contains 1,070,660 sq. ft. of GLA. It is anchored by Dillards, J.C. Penney, Sears, and Mervyn's. West Oaks Mall will be severely impacted by the opening of Katy Mills Mall

R. Deerbrook Mall

Deerbrook Mall opened in 1984 and was the last mall to open during the 1980's. The mall opened with Macy's, Foley's and Sears. It's anchors include Mervyns The mall has 1,271,715 sq. ft. of GLA and 165 stores. The mall has struggled to attract sufficient customers until recently.

S. Mall of the Mainland

The Mall of the Mainland is located in Galveston County midway between the Clear Lake Area and Galveston, Island. This mall opened in 1991 and contains Foley's, and Dillards and 54 other stores. While the Mall of the Mainland is relatively new it has suffered primarily due to the lack of any significant population base and low gross income from which it can draw only limited retail sales. The mall contains 782,495 sq. ft. of GLA. Gross income for the area is very low making it virtually impossible for this mall to be successful. This is directly reflected in the mall's inability to attract tenants. It has the fewest tenants of any regional mall in the area. In contrast, department store sales at this mall are increasing at a healthy rate.

T. Woodlands

The Woodlands Mall, the Houston area's most northern regional mall has 1,027,000 sq. ft. of GLA. It opened in 1994 and is anchored by Dillard's, Foley's, Mervyn's and Sears. The Woodlands mall serves the northern suburbs of Houston and its physical draw is very large. The estimated average household income is high at $77,652. Per capita income is at $28,383..

U. First Colony Mall

First Colony Mall opened in 1996 and is anchored by Foley's, Dillards, J.C. Penney and Mervyn's. It contains approximately 1,500,000 sq. ft. of GLA. First Colony Mall is located in Fort Bend County, southwest of Houston. It is located in one of the fastest growing areas in the country. The average household income of the trade area rivals that of the GalleriaKaty Mills and Houston Premium Outlets

V. Katy Mills Mall

Katy Mills Mall at 1.6 million sq. ft. is the most significant addition to the retail landscape since the Woodlands Mall opened.

This center will battle each other for customers which will be good for consumers but it will create a severe competitive situation in West Houston. These malls will also physically intercept customers that would normally be customers of Town & Country and Memorial City Mall.

The economic impact of these two facilities will be between $400 to $500 million in retail sales, much of which will be drawn from the Memorial City trade area.

W. Trade Area Overlap and Cross Shopping Patterns

Cross shopping patterns indicate the impact of Memorial City on Town & Country Mall is virtually synonymous with the physical overlap of their trade areas. On the other hand, only 57% of Memorial City Shoppers shop at Town & Country. Also more Northwest Mall Shoppers shop Memorial City than would be expected and the West Oaks Mall Shopper is highly likely to also shop Memorial City.

Regional Center	% Overlap with Memorial City's Trade Area
Town & Country	86.36%
Sharpstown	33.09%
Northwest	32.96%
Galleria	32.37%
Westwood	21.94%
West Oaks	20.17%

Regional Center	Shoppers of Other Malls who also Shopped at Memorial City	Memorial City Shoppers who Also Shopped at
Town & Country	84%	57%
Sharpstown	35%	34%
Northwest	43%	21%
Galleria	30%	34%
Westwood	25%	20%
West Oaks	60%	34%
Meyerland	15%	9%

X. *Retail Sales*

Retail sales in Harris County have expanded and contracted with the economy of the Houston area. The following series of tables show retail sales for Harris County with particular emphasis on specific categories that make up most of the retail sales in regional shopping centers. Detailed tables for every shoppers goods (GAFO) sales are presented in the appendix. The Harris County totals are provided to show the magnitude of retail sales in the area. All of the regional shopping centers that directly impact Memorial City are within Harris County. Information is also provided on regional malls located outside Harris County, that draw many of their customers from Harris County.

1. Department Store Sales Harris County

Year 5311	Department Stores		Outlets	Average
1984 Total	$	1,929,479,902	185	$ 10,429,621
1985 Total	$	2,208,650,432	179	$ 12,338,829
1986 Total	$	2,119,441,810	167	$ 12,691,268
1987 Total	$	2,220,102,102	163	$ 13,620,258
1988 Total	$	2,300,985,973	180	$ 12,783,255
1989 Total	$	2,230,390,937	172	$ 12,967,389
1990 Total	$	2,352,641,139	178	$ 13,217,085
1991 Total	$	2,390,315,749	175	$ 13,658,947
1992 Total	$	2,490,896,609	198	$ 12,580,286
1993 Total	$	2,731,525,617	211	$ 12,945,619
1994 Total	$	2,821,005,195	202	$ 13,965,372
1995 Total	$	2,885,239,656	215	$ 13,419,719
1996 Total	$	3,077,694,506	189	$ 16,284,098
1997 Total	$	2,970,919,565	178	$ 16,690,559

* All sales tax data contained in this study is derived from State Comptroller

Department store sales have decreased in 1997 after seven straight years of sales increases.

The impact of the department stores in the Woodlands Mall in Montgomery County and First Colony Mall in Ft. Bend County has been pronounced.

Currently department store sales are approximately 3 billion.

2. Apparel Sales in Harris County

Apparel sales in Harris County have not increased significantly in recent years. Between 1996 and 1997 sales increased by only 1.9%. The following table shows these sales and the fluctuations over the past 13 years. Currently sales total 1.7 billion. It is not expected that sales in apparel stores will increase over current levels and relative to inflation may show actual decreases.

Year	56	Apparel Store Sales	% Change
1984		$1,066,183,209	
1985		1,147,523,131	7.6%
1986		1,146,645,845	-0.1%
1987		1,109,321,099	-3.3%
1988		1,173,022,402	5.7%
1989		1,357,598,113	15.7%
1990		1,399,055,317	3.1%
1991		1,471,429,533	5.2%
1992		1,600,044,948	8.7%
1993		1,600,386,529	0.0%
1994		1,618,867,998	1.2%
1995		1,675,549,826	3.5%
1996		1,726,449,186	3.0%
1997		1,758,536,756	1.9%

The previous chart breaks apparel store sales into component categories for womem's Clothing Stores, women's accessory stores, childrens, family, shoe stores and misc. Only family clothing stores are showing any uptrend while other categories are only showing modest gains or losses.

3. Furniture and Home Furnishing Stores

Furniture and home furnishing stores have experienced solid gains over the past five years led by computer stores. In 1997 sales increased by a remarkable 32.2%. In 1992, sales in this category of store were nearly 2.46 billion in Harris County. By 1997, sales in these stores have more than doubled to 5.88 billion. While sales increases of this magnitude are not expected to continue, it is likely this sector will perform very well.

Year	57	Furniture & Home Furnishings Store Sales	% Change
1984		$1,376,916,216	
1985		1,679,751,610	22.0%
1986		1,632,514,802	-2.8%
1987		1,729,840,304	6.0%
1988		2,070,486,089	19.7%
1989		2,281,701,562	10.2%
1990		2,478,337,493	8.6%
1991		2,370,425,440	-4.4%
1992		2,464,472,355	4.0%
1993		2,887,901,354	17.2%
1994		3,384,266,117	17.2%
1995		3,849,245,202	13.7%
1996		4,446,810,672	15.5%
1997		$5,879,864,371	32.2%

4. Miscellaneous Shopping Goods Stores

Miscellaneous shopping goods stores are of a wide range of categories. Overall sales have been very good over the past two years. With sales increases of 9.7% in 1996 and 24.2% in 1997. Again we do not expect sales to increase at this rate in the near future but sales in selected categories should remain strong into the foreseeable future.

Year	59	Misc. Shopping Goods Store Slaes	% Change
1984		$1,124,780,597	
1985		1,159,856,324	3.1%
1986		1,115,601,776	-3.8%
1987		1,157,467,822	3.8%
1988		1,253,948,963	8.3%
1989		1,354,178,883	8.0%
1990		1,493,744,996	10.3%
1991		1,621,791,938	8.6%
1992		1,718,444,307	6.0%
1993		1,812,904,989	5.5%
1994		1,854,535,354	2.3%
1995		1,940,267,658	4.6%
1996		$2,128,721,761	9.7%
1997		2,643,079,357	24.2%

This category includes sporting goods, books, stationary stores, jewelry, hobby and camera Stores. The rapid expansion of very large book stores in Harris county is shown in the strong upturn in sales. All sub-categories are performing well except for camera stores which have been gradually diminishing in importance for many years.

Y. *Retail Sales in Regional Malls*

1. Department Store Sales

Department store sales in regional malls have fluctuated significantly over the past 13 years. In 1985 and 1986 sales actually decreased. In the later part of the 1980's department store sales in regional malls increased and then had significant gains until 1997 when two major regional malls negatively impacted sales in Harris County. It is expected that department store sales in regional malls will remain moderate over the foreseeable future. Department stores in directly competitive malls should barely maintain their share of market.

Year	Department Store Sales in Regional Malls	% Δ	Department Store Sales in Directly Competitive Malls	Estimated Share of Department Store Sales in Directly Competitive Malls
1984	$1,290,409,837		$475,808,826	36.9%
1985	1,233,226,163	-4.4%	392,823,812	31.9%
1986	1,230,103,541	-0.3%	388,209,420	31.6%
1987	1,315,109,897	6.9%	431,430,809	32.8%
1988	1,336,745,582	1.6%	468,259,859	35.0%
1989	1,421,633,532	6.4%	498,628,428	35.1%
1990	1,488,039,741	4.7%	542,076,504	36.4%
1991	1,570,441,357	5.5%	612,656,048	39.0%
1992	1,781,016,049	13.4%	646,552,868	36.3%
1993	1,928,537,992	8.3%	677,369,214	35.1%
1994	1,880,917,980	-2.5%	617,387,921	32.8%
1995	2,166,746,541	15.2%	740,373,698	34.2%
1996	2,363,779,022	9.1%	835,682,306	35.4%
1997	2,268,351,651	-4.0%	821,101,048	36.2%
1998	2,509,054,202	10.6%	917,867,250	36.6%
1999	2,548,928,699	1.6%	911,756,272	35.8%
2000	2,616,694,542	2.7%	931,465,230	35.6%
2001	2,683,178,235	2.5%	951,745,447	35.5%
2002	2,754,605,429	2.7%	972,625,483	35.3%
2003	2,821,987,603	2.4%	994,135,330	35.2%
2004	2,893,425,838	2.5%	1,016,306,480	35.1%
2005	2,965,019,648	2.5%	1,039,620,075	35.1%

Department Stores in directly competitive regional Malls include The Galleria, Town & Country, West Oaks, Westwood, Sharpstown and Meyerland.

2. Apparel Store Sales Regional Malls

Estimated apparel store sales are displayed in the following chart. Their sales have been very healthy. Apparel store sales remain weak with sales projected to increase at under 4% for the foreseeable future. Directly competitive malls are projected to have a decreasing share of market dropping from 27.8% in 1997 to 25.9% in 2005.

Year	Apparel Store Sales in Regional Malls	% Change	Estimated Share of Apparel Store Sales in Directly Competitive Malls	Share
1984	$860,632,941		$254,868,159	29.6%
1985	828,826,196	-3.7%	238,228,838	28.7%
1986	820,270,818	-1.0%	229,808,174	28.0%
1987	800,901,695	-2.4%	230,591,042	28.8%
1988	802,514,279	0.2%	233,770,157	29.1%
1989	857,538,327	6.9%	242,441,427	28.3%
1990	912,437,486	6.4%	247,232,234	27.1%
1991	914,225,757	0.2%	242,084,415	26.5%
1992	960,501,648	5.1%	254,180,283	26.5%
1993	1,025,700,951	6.8%	271,696,570	26.5%
1994	1,061,516,050	3.5%	281,685,763	26.5%
1995	1,065,977,758	0.4%	281,059,657	26.4%
1996	1,104,477,322	3.6%	288,311,076	26.1%
1997	1,177,022,646	6.6%	327,373,954	27.8%
1998	1,149,351,675	-2.4%	300,547,441	26.1%
1999	1,193,917,150	3.9%	311,779,625	26.1%
2000	1,236,561,950	3.6%	321,789,499	26.0%
2001	1,278,391,089	3.4%	330,754,030	25.9%
2002	1,314,266,489	2.8%	339,385,151	25.8%
2003	1,344,934,125	2.3%	347,739,196	25.9%
2004	1,377,167,549	2.4%	356,522,916	25.9%
2005	1,412,195,129	2.5%	$365,187,255	25.9%

3. Furniture and Home Furnishing Store Sales in Regional Shopping Malls

Furniture and home furnishing store sales in regional malls have been up and down over the past 13 years. In 1997 sales were up by 6.33%. Long term projections suggest that moderate growth is expected of under 3% per year. Directly competitive malls capture a large proportion of these types of sales. By 2005 the directly competitive malls should see their market share slip to 43%.

Year	Furniture & Home Furnishings Store Sales in Regional Malls	% Δ	Estimated Share of Furniture Store Sales in Directly Competitive Malls	% Share
1984	$909,635,653		$411,374,881	45.2%
1985	979,577,664	7.69%	447,128,208	45.6%
1986	950,363,149	-2.98%	435,451,856	45.8%
1987	1,008,834,652	6.15%	456,983,966	45.3%
1988	1,012,316,706	0.35%	468,828,669	46.3%
1989	1,205,750,706	19.11%	552,483,753	45.8%
1990	1,292,659,883	7.21%	583,885,525	45.2%
1991	1,375,235,362	6.39%	624,278,695	45.4%
1992	1,464,060,815	6.46%	652,453,513	44.6%
1993	1,454,305,127	-0.67%	648,280,183	44.6%
1994	1,481,388,093	1.86%	659,029,466	44.5%
1995	1,511,416,185	2.03%	660,027,613	43.7%
1996	1,547,396,582	2.38%	693,931,462	44.8%
1997	1,612,655,591	4.22%	703,299,665	43.6%
1998	1,714,801,282	6.33%	755,579,351	44.1%
1999	1,777,212,657	3.64%	780,137,031	43.9%
2000	1,844,638,975	3.79%	806,650,089	43.7%
2001	1,899,278,029	2.96%	827,707,010	43.6%
2002	1,949,899,721	2.67%	846,328,755	43.4%
2003	1,987,394,352	1.92%	860,131,945	43.3%
2004	2,038,427,293	2.57%	880,142,431	43.2%
2005	$2,093,876,979	2.72%	$901,249,142	43.0%

4. Misc. Shopping Goods Stores

Miscellaneous shoppers goods stores have wide fluctuations in sales. In 1997 these stores reported the highest sales gain they have had over the past 13 years of 19.15%. Projections based upon linear regression indicate that sales increases should average between 3% to 5.5% over the next seven years. Again directly competitive malls will lose market share from 31.8% in 1997 to 27.9% in 2005.

Year	Sales in Misc Shppers Goods Stores Regional Malls	% Δ	Estimated Share of Misc SG Store Sales in Directly Competitive Malls	Share
1984	2,211,298,997		$799,598,840	36.2%
1985	2,426,776,762	9.74%	901,230,695	37.1%
1986	1,927,551,045	-20.57%	681,731,827	35.4%
1987	1,749,494,519	-9.24%	660,555,818	37.8%
1988	1,853,539,524	5.95%	749,727,185	40.4%
1989	1,856,796,516	0.18%	740,006,506	39.9%
1990	2,041,400,999	9.94%	778,318,368	38.1%
1991	2,244,870,371	9.97%	899,757,339	40.1%
1992	2,310,692,537	2.93%	850,654,379	36.8%
1993	2,307,390,514	-0.14%	886,711,663	38.4%
1994	2,235,163,279	-3.13%	770,608,072	34.5%
1995	2,406,443,723	7.66%	768,106,590	31.9%
1996	2,329,993,949	-3.18%	691,531,019	29.7%
1997	2,776,093,604	19.15%	883,304,117	31.8%
1998	2,505,399,643	-9.75%	814,321,422	32.5%
1999	2,594,089,900	3.54%	822,897,369	31.7%
2000	2,736,855,240	5.50%	851,307,563	31.1%
2001	2,838,496,080	3.71%	851,824,166	30.0%
2002	2,921,655,270	2.93%	843,174,707	28.9%
2003	3,027,957,847	3.64%	863,908,687	28.5%
2004	3,119,474,568	3.02%	878,488,797	28.2%
2005	3,217,606,253	3.15%	897,065,533	27.9%

Z. Memorial City Economic Impacts.

Memorial City Mall's "share of market" over the next seven years will be impacted by a number of endogenous and exogenous factors some of which are positive and some are negative. The immediate neighborhood is composed of older urbanized areas that may experience some re-development.

1. Positive Impacts

- Possible Increase in GLA
- Possible Increase in the quality of department dtores
- Re-merchandising of small stores
- Reduced competition from Town & Country
- Moderate population growth
- Improved infrastructure access/egress after the completion and widening of Interstate-10 in 2013.

2. Negative Impacts

- Construction and widening of Interstate 10 beginning in 2003. This has the potential of suppressing the flow of mall traffic from much of the trade area.
- Opening of a minimum of 2,000,000 square feet of Shopping Center Space west of Memorial City - $500 to $600 million in sales will draw at least one-third of their sales from Memorial City's trade area.
- Deteriorating neighborhoods to the north (half the physical trade area) continues to become an area of poverty households.
- Population losses in older neighborhoods, the Villages, and Memorial The residual population is composed of many elderly empty-nesters who spend little on acquiring goods as they become older.

3. Major Challenges

- To preserve the Memorial City area and possibly enhance this activity center so that it can survive the economic and demographic changes that are sweeping activity to the west of Houston.
- To create an environment conducive to business remaining in the "City."
- To enhance the surrounding environs to help retain and expand Memorial Herman Health Care Facilities.
- To create a healthy environment for restaurants and people places
- To develop concurrent cultural and educational facilities in the area.
- To reduce crime and upgrade neighborhoods to protect the activity center.

4. Memorial City Mall's Share of Market

The following projections representing the share of market that Memorial City Mall may achieve are based upon existing conditions. Change in the share of market and position in the market place will be affected by economic impacts. These impacts could be so severe over the short term (five to seven years) they could possibly prove fatal to the profitability of this mall.

	Department Store	Apparel	Furniture & Home Furnishings	Miscs. Shoppers Goods
1984	31.6%	14.8%	18.6%	31.9%
1985	38.1%	14.8%	18.1%	27.6%
1986	35.7%	14.5%	17.8%	27.1%
1987	34.8%	13.1%	17.2%	31.9%
1988	34.7%	12.8%	16.8%	31.4%
1989	34.2%	12.5%	17.4%	29.7%
1990	33.7%	12.3%	18.1%	32.2%
1991	30.3%	15.1%	18.5%	27.2%
1992	29.0%	14.7%	17.9%	25.2%
1993	30.5%	12.3%	16.1%	19.7%
1994	33.5%	11.8%	15.0%	25.8%
1995	29.4%	12.0%	14.2%	26.2%
1996	27.6%	11.9%	14.9%	23.1%
1997	26.6%	14.4%	16.2%	38.4%
1998	25.6%	12.5%	15.3%	27.2%
1999	26.5%	12.5%	15.2%	27.5%
2000	26.7%	12.5%	15.0%	27.3%
2001	26.8%	12.6%	14.8%	27.0%
2002	27.0%	12.5%	14.5%	27.2%
2003	27.1%	12.4%	14.2%	26.9%
2004	27.1%	12.3%	13.9%	26.6%
2005	27.2%	12.2%	13.8%	26.9%

AA. Conclusions Regional Mall Analysis

As the population of the suburban areas within the City of Houston mature, dramatic shifts are taking place in the demography and employment patterns. These shifts are taking place outside the City, creating declines which are evidenced in a great transfer of retail sales into the far suburban areas of the region. Inner-city department store closing are becoming commonplace. Montgomery Ward is in bankrupcy nationally and has the potential of closing stores in the Houston region. J.C. Penney is closing stores in Greenspoint, Sharptown and probably Town & County Malls. Dillards closed its department store in Gulfgate, announced closure of it's Westwood store and may announce more closings. Dillards opening at First Colony, the most southwestern mall in the immediate Houston area, transferred significant sales away from their Westwood Mall Store. Similarly, the success of The Woodlands Mall has negatively impacted Greenspoint. Both Marshall Fields and Macy's have closed stores. The last Macy's is located in the Galleria. New additions to the market area may include Nordstroms, the most sought after department store in the country. They have "announced" that they intend to open a store in Memorial City Mall. Further, Neimans announced its intent to close their store in Town & Country Center and move it to Memorial City in the hope that the association with Nordstroms will increase their sales over the dismal levels they experienced in Town & Country. Neimans is also planning an outlet store in the Houston Premium Outlet Center near Peek Road on I-10 west of Memorial City.

Memorial City is likely to survive the economic, demographic and competitive pummeling it will take over the next five to ten years. It appears from our thorough analysis of the retail landscape that retail sales in the trade area will be sufficient to sustain the mall and provide a modest amount of growth in sales. The impact of Nordstroms department store on the mall, if it becomes a reality, may be prove to be positive for the mall. However it has just a great of likelihood of taking business away from other stores in the trade area or from competing department stores in other malls. It will not increase the total sales of department stores in Harris County or the trade area.

The expansion of Memorial City Mall will shift much of the remaining GAFO sales from Town & Country Center (Mall) to Memorial City, if Town & Country Mall remains open.

There is now, and will be in the future, more than enough department store and regional shopping center space servicing the trade area. In general the trade area is overbuilt with this type of retail space.

The impact of the Katy Mills Mall and Houston Premium Outlets will initially be severe with an expected overall drop in sales in directly competing stores of up to 20%.

V. Ancillary Retail Shopping Centers

Convenience shopping is abundant in the area surrounding Memorial City. A market area was defined along the Katy Freeway extending from Loop 610 to Highway six for the examination of convenience shopping. The market area extends north to Longpoint and south to Memorial Drive.

There are numerous convenience shopping opportunities for the consumer in this area. Shopping center development started in the fifties in this area. There are now 48 centers in this area containing 4,129,946-sq. ft. of GLA. These centers average 86,040 in size.

Decade	Convenience Store Sq. Ft. Additions by Decade	
1950's	123,024	3%
1960's	696,583	17%
1970's	1,547,647	37%
1980's	776,074	19%
1990's	986,618	24%
	4,129,946	100%

The decade of the seventies saw the greatest amount of building activity in this market area when 37% of the convenience shopping centers were opened. Nearly all of these centers are small and if anchored are anchored by supermarkets or drug stores.

The re-development of existing centers south of Interstate 10 has been a trend for the past five years. North of the freeway and particularly along Longpoint the area has changed with the demographic changes and marketed largely to the growing Hispanic market. This area remains a bustling area of retail activity in run down shopping centers. Re-development of this area and upgrading will be very important for the area to remain viable.

The demand for convenience shopping in these neighborhood centers is very good in most centers serving the Memorial area south of I-10. However this area is very mature and there are few places where new shopping centers could be constructed. Also, vacancy in the Memorial/Dairy Ashford area is substantial.

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The following table shows the total GLA in convenience centers (non-regional centers) north and south of Interstate 10, the occupancy rate and the amount of space that is currently leased. Shopping centers north of I-10 are 85.7% leased which indicates the market north of I-10 is north in high demand by retailers or service businesses. On the other hand, the shopping centers in the area south of I-10 are well occupied at 92.6%.

Market Area	Gross Leaseable Area	Occupied Space	Occupancy Rate
Shopping Centers North of Interstate 10	1,287,907	1,103,171	85.7%
Shopping Centers South of Interstate 10	2,842,039	2,631,509	92.6%

Convenience shopping centers are not expected to grow at a significant rate south of I-10. However, it is expected that north of I-10, along the feeder road/Old Katy road, significant development could take place as retailers and other businesses locate in these highly visible areas. Businesses such as mini-storage should proliferate, as these businesses will not be significantly interrupted by the eventual construction of Interstate 10. Unless significant monies are spent to improve access, it is likely that low quality retailers such as carpet outlets and used car facilities will be attracted to this area. Leasing of land until the freeway is nearly complete will be popular amongst landowners and speculators. This has the real potential to create deleterious low quality land uses, which could keep land values low.

If a higher quality environment can be created via, a management district or other mechanism, the status quo development pattern of low end uses on the north side of the freeway may be avoided.

If this higher quality environment is created, the positive re-development of the Memorial City area could spill onto the northern side of the freeway. The area then could support an additional 250,000 to 350,000 sq. ft. of mid to higher quality retail operations over the next five years.

VI. Food Service Industry

Nationally, the food service industry is a $330 billion market. The following table displays the growth trend in food service between 1991 and 1997. Moderate growth keeping up with or slightly ahead of inflation is the normal pattern.

Total National Food Service Growth		
Year	Growth	Sales in Billions
1997	2.3%	330.5
1996	2.5%	314.4
1995	2.6%	299.8
1994	2.9%	285.8
1993	2.4%	273.7
1992	1.3%	257.1
1991	0.9%	248.0

The food service industry is composed of many market segments. The largest segment is the quick service segment with 33.5% share of market. The second largest segment is full service with 30.7% of the market. Schools are 5.4% of the market. Lodging is at 4.7% and hospitals have 3.7% of the food service industry market. The fastest growing segment is the corrections market that is growing at a rate of 5% annually and has 1.8% of the market. Supermarkets and nursing homes only have 1.6% of the market. The home meal replacement or meal solutions trend will continue, and supermarkets may see continued growth of this segment. Both restaurants and supermarkets expect this segment to more than double in five years.

Mexican food chains are expected to continue to have favorable growth prospects as will burger outlets, full-service casual theme restaurants and quick serve chicken.

Declines are projected for hospitals, the military and the transportation industry. The hospital/nursing home segment is expected to decline because of the institutionalization of shorter stays. Innovations include catering, food kiosks and outreach into communities.

Current trends include "wraps" and asian noodles and further development of "eatertainment" as more and more theme restaurants try a different version of the *Hard Rock Café*, particularly music themed venues: *Elvis Presley's Memphis, House of Blues, BB Kings and Motown Cafe.*

A. Entertainment or "Eatertainment"

As a subset of themed restaurants, the "eatertainment" sector is expected to drive many new concepts. Generally, these restaurants are intensively decorated in the chosen theme, have sound systems that rival dance clubs, merchandise for sale emblazoned with logos, serve mediocre food and high priced drinks. Concepts include cyber-cafés with tableside internet access, comic book themes, and even stock car operations, fashion or submarines. Food is being married to almost any theme or other form of entertainment anyone can imagine. Dave & Buster's is Houston's best example of this form of venue.

A hot restaurant now is *Rain Forest Cafe* which features remote controlled animals, live parrots, aquariums, a starry sky and intermittent thunderstorms. Each *Rain Forest Café* is expensive with an average cost of $7 million. Failures include Disney's *Mickey's Kitchen*.

B. The Shopping Center Industry and Entertainment

The shopping center industry has high expectations for entertainment, and regional mall owners continue to look for strong performers. The example of the Forum shops in Las Vegas with its dramatic changing colored sky and talking statues and sales exceeding $1,000 per square foot excites shopping center owners, developers, and investors looking to increase sales by adding entertainment.

The amount of retail space in the United States has outgrown effective demand. For years, the quality of the shopping experience has driven shopping center patronage. However, the discounting movement has gradually evolved, and price supplanted almost all other considerations of shoppers.

As price competition has emerged, new forms of retail centers have drawn millions of customers away from "traditional" retailers, especially those in regional malls. With entertainment components, mall owners hope to hold the customer in the mall and not lose any more anchor tenants.

An entertainment center may consist of multi-screen cinemas, two or three high-atmosphere restaurants, a nightclub, and an eclectic mix of tenants. Tenants are local, regional and national and offer unique goods and services, or they present ordinary goods in a unique and entertaining way. Ambiance is created through architecture, street performers, carts and kiosks.

The entertainment center of the 1990's and the 2000's will evolve into a specialized form of shopping center. The entertainment centers can only survive in a few areas and are not a panacea for all retail areas that are going into decline.

C. Memorial City and Entertainment

Memorial City or an adjacent area could become an entertainment area only if there were considerable efforts and funds expended to create such an entity. It is much more likely that a portion of Town & Country Mall along with an expanded theater element could become an entertainment center. At least 150,000 sq. ft. of space would have to be devoted to this concept. Its close proximity to the restaurant cluster on I-10 could develop enough synergy to create a nighttime experience in the area. On the other hand, it may be that the area surrounding Memorial City is just too suburban to ever develop this type of atmosphere.

Entertainment centers are new concepts that have not stood the test of time. They are complex and complicated problems which very few people understand. We have already experienced a failure of at least one entertainment center in the Houston area due, not to the lack of demand, but to lack of quality control of the product and its customers.

The much touted Bayou Place in downtown Houston was only developed after a building was given to a developer and then financed by the City of Houston. It is receiving mixed reviews by many patrons. The theater complex appears to be very weak, and the nighttime components are drawing a mediocre crowd.

D. Restaurant Expenditures

In Texas, the food and beverage market, in eating and drinking places is a $20 billion market. In Harris County it amounts to a $4.2 billion market as of 1997. This includes expenditures in: 1) food establishments without alcohol, 2) licensed beer and wine establishments, 3) licensed mixed beverage (liquor, beer and wine) establishments, 4) restaurants licensed to serve beer and wine, and 5) restaurants licensed to serve mixed beverages.

Sales in food establishments without alcohol totaled $15 billion in Texas and 2.8 billion in Harris County. Since 1984, the number of establishments has increased from 4,245 to 5,155 in 1997.

Sales in licensed beer and wine establishments are nearly $1 billion in the state and total $230 million in Harris County. Mixed beverage permit operations have approximately one-half billion dollars in sales in the state and nearly $100 million in sales in Harris County. The number of beer and wine establishments in Harris County has decreased from 1,714 in 1984 to 1,370 in 1997. Conversely, mixed beverage operations have increased from 149 in 1984 in Harris County and reached a peak in 1994 of 368 operations. Currently there are approximately 348 in existence.

Restaurants with beer and wine licenses have decreased from 1,190 total outlets to 858 in 1997. Full service restaurants with mixed beverage licenses have decreased from 731 in 1984 to 587 in 1997. Sales per establishment have nearly doubled over this same time period.

Eating & Drinking Establishments Volume	State	Harris County	Share
	1997 Sales	1997 Sales	Share of State
Food Establishments No alcohol	15,100,950,915	2,883,568,609	19.1%
Beer & Wine Bars	945,333,361	230,005,432	24.3%
Mixed Beverage Bars	490,531,713	94,480,725	19.3%
Restaurants with Beer & Wine	1,663,609,647	393,699,353	23.7%
Restaurants with Mixed Beverage Permits	2,550,206,308	626,693,656	24.6%

The overall trends for Harris County are:

- ***Continued increases in the number of food outlets without alcohol permits and steady increases in sales.***
- ***Decreases in the number of beer / wine and mixed beverage permitted establishments and a corresponding increase in sales per establishment.***
- ***Decreases in the number of restaurants with alcohol permits and increases in sales per establishment.***

E. Market Area Analysis

There are approximately 152 eating and drinking establishments in the defined market area. The defined market area for eating and drinking establishments is centered along the Katy Freeway and encompasses four zip codes: 77024, 77055, 77079 and 77080. The market area sales in 1997 are approximately $251 million. The only serious deficiency in the market area is the quality of restaurants and the variety of ethnic operations. Most of the restaurants have highly predictable food and are typical of suburban locations.

Within the market area, food establishments that do not serve alcoholic beverage capture 65% of the eating and drinking establishment sales. Beer & wine bars have only 3.7% of total sales and mixed beverage (beer, wine & liquor) operations have only 1.4% of the market. Restaurants with beer & wine permits capture 12.06% of total sales and full service restaurants capture 17.2% of sales in the market area. The following table shows the eating and drinking establishments 1997 sales within the market area and the proportion of sales each "type" is capturing of Harris County sales. These data indicate that the area is not capturing normal volumes in bars and in food establishments that do not serve alcohol. This reflects the affluence and maturity of the market area.

Eating & Drinking Establishments by Type			
		1997 Sales	Share of Harris Co.
Food Establishments No alcohol	71	163,085,960	5.66%
Beer & Wine Bars	18	9,385,328	4.08%
Mixed Beverage Bars	10	3,502,343	3.71%
Restaurants with Beer & Wine	22	31,696,774	8.05%
Restaurants with Mixed Beverage Permits	31	43,172,020	6.89%
Total	152	250,844,422	5.93%

While it is unlikely that this area will have a large increase in the number of food service operations, it is likely that the quality, variety, and unique operations will continue to cluster near the successful operations of the Pappas and the Taste of Texas facility. Any pad property facing Interstate 10 can and will be sold or leased to food service operations. Most of the restaurant operations are located on the south side of the freeway. If the north side is cleaned up, more facilities will be located facing the freeway. Many restaurants are highly dependent upon highway visibility and will pay premium prices for these locations.

This area may be relegated to having more mediocre chain operations than ever before. Land prices for the best sites on the north side of the freeway with visibility will more than double within the next five years. At least five and maybe as many as ten new operations will open in close proximity to Memorial City/Town & Country if access is improved and utilities are provided. Each of these operations will typically cost an average of $800,000 to $1,500,000.

F. Sales Trends by Category in the Market Area

Sales in food establishments without alcohol have had very healthy increases since 1990 within the market area. In 1997, sales totaled $163 million. The second highest category is restaurants with mixed beverage permits which had sales of $43.2 million. Sales in restaurants with beer & wine licenses are substantial at $31.7 million. Sales in bars are relatively low in this market area. The following table shows the sales by type of establishment and the percentage change from the previous year (% Δ).

Year	Food Establishments No alcohol	% Δ	Beer & Wine Bars	% Δ	Mixed Beverage Bars	% Δ	Restaurants with Beer & Wine	% Δ	Restaurants with Mixed Beverage Permits	% Δ
1990	103,621,404		5,113,728		241,602		15,769,948		28,469,095	
1991	109,101,250	5.3%	5,703,785	11.5%	367,145	52.0%	19,603,703	24.3%	31,486,795	10.6%
1992	108,678,277	0.4%	7,498,488	31.5%	839,364	128.6%	24,289,081	23.9%	32,918,919	4.5%
1993	118,012,739	8.6%	8,180,907	9.1%	3,768,703	349.0%	27,582,056	13.6%	38,633,067	17.4%
1994	128,256,146	8.7%	8,246,828	0.8%	459,913	-87.8%	29,445,131	6.8%	39,915,599	3.3%
1995	143,373,087	11.8%	7,873,850	-4.5%	1,178,199	156.2%	30,871,735	4.8%	39,590,278	-0.8%
1996	148,952,536	3.9%	9,042,542	14.8%	875,469	-25.7%	31,359,050	1.6%	40,815,665	3.1%
1997	163,085,960	9.5%	9,385,328	3.8%	3,502,343	300.1%	31,696,774	1.1%	43,172,020	5.8%

G. Area Restaurants

There are 68 restaurants worth mentioning in the market area. The other 90 consist of second quality fast food or mom & pop operations. There are fifteen American styled restaurants and six Tex-Mex restaurants. Chinese restaurants which are generally very numerous, have five decent quality restaurants in the market area. There are four each of steak restaurants and burger restaurants and a smattering of other types.

Cusine	Number
American	15
Tex-Mex	6
Chinese	5
Burgers	4
Steak	4
Bakery	2
Barbeque	2
Continental	2
Japanese	2
Pizza	2
Cajun	1
Deli	1
Hot dogs	1
German	1
Korean	1
South American	1
Mexican	1
Seafood	1
Thai	1

Selected Area Restaurants	Cuisine	Price	Quality
59 Diner	American	1	1
Achille's	Italian	3	2
Bennigan's	American	1	1
Black-Eyed Pea	American	2	1
Blue Orchid	Viet, Thai	2	2
Brazil Brasileiro	Latin American	1	1
Brenners Steak House	Steak Seafood	5	3
Carrabba's Italian Grill	Italian	3	2
Charlie's Hamburgers	Hamburgers	1	1
Chili Grill & Bar	Fern Bar	1	1
China Plaza	Chinese	2	1
Ciro's Italian Ristorante	Italian	2	2
Collina's Italian Kitchen	Italian	1	1
Dirty's Restaurant	American	1	0
Dixie's Red Hot Roadhouse	American	3	2
Fandango's	Mexican	1	1
French Gourmet Bakery	Bakery	2	2
Fuddruckers	Burgers	1	2
Fuzzy's Pizza	Pizza	2	1
General Joe's Chopstix	Chinese	1	1
Goode Company Barbeque	Barbeque	1	2
Goodson's Café	Cajun/Creole	1	1
Guadalajara Mexican Grill	Tex-Mex	2	2
Hunan Emperor	Chinese	2	2
Hunan Village	Chinese	1	1
James Coney Island	Hot Dogs	1	0
Jason's Deli	Deli, Kosher	1	1
Kobe	Japanese, sushi	2	2
Lantern Inn	Continental	3	2
Las Alemedas	Mexican	3	2
Leibman's Wine & Fine Foods	American	1	1
Los Tios Mexican Restaurant	Tex-Mex	1	1
Luby's Cafeteria	American Cafeteria	1	1
Luby's Cafeteria	American Cafeteria	1	1
Luther's B-B-Q	Barbeque	2	1
Lynn's SteakHouse	Steak	3	2
Marie Callender's	American & Dessert	2	1
Mason jar	American	2	1
Nam Gang	Korean	2	2
Ninfa's Mexican Restaurant	Tex-Mex	2	2
North China	Chinese	2	1
Olive Garden Restaurant	Italian	2	1
Original Pasta Company	Italian	1	0
Papa John's Pizza	Italian	1	1
Pappadeau Seafood Kitchen	Seafood	3	2
Pappasito's Cantina	Tex-Mex	3	2
Pappy's Grill	American Burgers	1	1
Pizza Hut	Pizza	1	1

Prince's Hamburgers	Burgers	1	1
Raphaelis	Continental Italian	2	2
Riviera Grill	Mediterranean	3	2
Romano's Macaroni Grill	Italian	2	1
Saltgrass Steakhouse	Steak Seafood	2	1
Sbarro Italian Eatery	Italian	1	0
Sbarro Italian Eatery	Italian	1	0
Shug's	American	3	1
Skeeter's Mesquite grill	Burgers Tex-Mex	1	2
Souper Salad	American	1	0
Steak & Ale	Steak	2	1
Steakountry	American	1	1
Stoli Grill	German Russian	3	2
Sweet tomatoes	Bakery Pizza	2	1
Taco Cabana	Tex-Mex	1	0
Taste of Texas	Steak Southwestern	3	3
Tony Mandolas Italian	Italian	3	2
Ugo's Italian Grill	Italian	2	1
Yoshida-Ya Japanese	Japanese, Sushi	3	2

H. Recommendations

- *Develop and strengthen the restaurant cluster along I-10. Upgrade the quality of restaurants and avoid the common and dull chain operations that are ubiquitous in the area*

- *Create an entertainment center as part of Town & Country that would include family entertainment as well as restaurants.*

- *Move Lowe's theaters and expand at Town & Country.*

- *Create a high quality restaurant cluster on the north side of I-10 made up of ethnic operations.*

VII. Transient Lodging Facilities

The national overbuilding that took place in the 1980's depressed the market for transient lodging facilities by lowering room rates and therefore property values. The market for rooms bottomed out in 1992 nationally. Strong demand coupled with historically low levels of new construction has led this sector into a strong upturn. However, the market for rooms has slowed significantly in 1997 as development increased to meet demand.

Occupancy peaked nationally in 1995 at 65.2%. In 1996 occupancy declined to 65.1% and, it is estimated in 1997 the overall occupancy dropped slightly to 65.0%. An occupancy level of 65% is considered very healthy. The trend of rising occupancy has stopped.

The decline in occupancy levels is caused by the rapid increase in supply in excess of demand. Demand growth in 1996 was 2.1% and in 1997 it increased by 2.3%.

Although demand growth was larger than supply growth from 1991 through 1997, forecasts suggest that supply is expected to exceed demand by a significant amount in 1998. The rising room rates have raised property values in excess of their replacement costs in many areas.

High occupancy has increased average daily room rates and revenue per available room, and it is likely that in 1998 the rates will continue to increase until supply drives rates down.

The expected threat to the health of the transient lodging facilities will come from increases in supply. The only sub-sector of the lodging market that is escaping the increase in supply over demand is the luxury segment.

Lodging demand comes from two primary sources: business and leisure travel. In 1998, room rates and total revenue should increase at healthy rates. Limited service hotels are overbuilt but full service and luxury categories are very healthy. It is believed that the highest priced segments will continue to perform much better than the lower priced segments and demand for these luxury rooms will spur development.

Cap rates for lodging facilities remain high, however they fell from 11.48% in 1994 to 10.53% in 1996 and are now at 10.1%.

A. Houston-Number of Transient Lodging Facilities

The following table and chart show the number of transient lodging facilities operating in Houston by year. The number of hotel and motel facilities dropped between 1985 when there were 212 facilities and in 1988 when there were 195 facilities. Currently there are 262 revenue-producing facilities in Houston. The greatest increase took place in 1996 when 24 facilities were added. A proliferation of mid-priced facilities has sprung up in clusters along Houston's major thoroughfares.

Year	*Facilities*	*%Change*
1985	212	
1986	205	-3.3%
1987	200	-2.4%
1988	195	-2.5%
1989	195	0.0%
1990	197	1.0%
1991	205	4.1%
1992	215	4.9%
1993	217	0.9%
1994	230	6.0%
1995	224	-2.6%
1996	248	10.7%
1997	262	5.6%

B. Revenue

Revenue is increasing for more expensive facilities and particularly for hotels providing rooms in the $80 to $89 range.

The following table and chart show the actual and projected transient lodging facility revenue through the year 2005. The forecasted revenue indicates that by the year 2005, gross revenue in Houston should reach nearly $761 million. The projected revenue over an extended period of time indicates that the Houston area will continue to add transient-lodging facilities as the economy expands.

Year	Revenue (000)	Year	Projected Revenue (000)
1985	$302,091	1996	526,828
1986	275,261	1997	$585,601
1987	276,666	1998	$556,996
1988	307,434	1999	590,825
1989	326,007	2000	620,101
1990	375,117	2001	646,517
1991	393,783	2002	673,770
1992	408,093	2003	699,938
1993	400,688	2004	730,226
1994	441,154	2005	$760,930
1995	468,118		

C. Trade Area Transient Lodging Facilities

The following list is of hotel, motel, corporate apartments and other transient lodging facilities located within five miles of Memorial City. Their actual names as recorded by the State of Texas, are included. Currently there are 23 facilities within five miles of Memorial City.

Only a select group can be considered competitive with any future hotels developed close to Memorial City. These are outlined in red. The Radisson Town & Country is the only competitive hotel located close to Memorial City.

Displayed below are facilities in the trade area.

Name	Address	Room Capacity
Adam's Mark Hotel	2900 Briarpark Drive	604
Best Western Westchase Mini Suites	2950 West Sam Houston	61
Comfort Inn	9041 Westheimer Road	57
Comfort Suites	6221 Richmond Avenue	55
Days Inn West	9535 Katy Freeway	201
Econo Lodge	6630 Hoover Street	32
Hampton Inn	11333 Katy Freeway	120
Homestead Village	3030 West Sam Houston	133
Houston Marriott West Side	13210 Katy Freeway	326
Houston West Hilton	12401 Katy Freeway	150
Houstonian Hotel	111 North Post Oak	289
La Quinta Houston Wilcrest #529	11113 Katy Freeway	122
La Quinta-Houston #515	8017 Katy Freeway	100
Lafayette West Apartments	11601 Katy Freeway	70
Motel 6 # 1401	2900 West Sam Houston	120
Quality Inn	9799 Katy Freeway	186
Radisson Town And Country	10655 Katy Freeway	173
Ramada Hotel Near The Galleria	7787 Katy Freeway	248
Ramada Plaza Hotel	7611 Katy Freeway	249
Red Roof Inn #229	2960 West Sam Houston	135
Shoneys Inn Dairy Ashford	12323 Katy Freeway	115
The Glenchester Apartments	1413 South Voss Road	80
Westchase Fairfield Inn	2400 West Sam Houston	82
Westchase Hilton & Towers	9999 Westheimer Road	295
		3,941

D. Memorial City Mall Trade Area Transient Lodging Facilities

The hotels located within the immediate vicinity of Memorial City Mall are the Radisson Town and Country, Houston Marriott Westside, Days Inn West, and Quality Inn. The total number of rooms for these four hotels is 886. The total revenues generated by these hotels for 1997 is $16,260,977. The overall average revenue per room for these hotels is $18,353 for 1997. The Houston Marriott Westside is the only facility with a conference center in the immediate vicinity of Memorial City Mall. Other major conference centers of various sizes within 5 miles of the site are located at the Adam's Mark Houston, Holiday Inn Hotel & Suites, Ramada Plaza Hotel West, the Houstonian and Westchase Hilton & Towers.

Commercial room rates vary from a low of $40.00 per night to a high of $157.00 per night. The market for transient lodging facilities is segmented into three basic groups: high, medium and low priced facilities. The following chart is arranged by room rate. The average room rate for hotels within 5 miles of Memorial City is approximately $72.70.

Name	Price	Average Room Rates
Houstonian Hotel	High	$157
Houston Marriott West Side	High	$119
Radisson Town And Country	High	$119
Westchase Hilton & Towers	High	$119
Adam's Mark Hotel	High	$115
Ramada Plaza Hotel	Medium	$89
Best Western Westchase Mini Suites	Medium	$81
Comfort Suites	Medium	$79
Hampton Inn	Medium	$69
Houston West Hilton	Medium	$69
La Quinta Houston Wilcrest #529	Medium	$65
The Glenchester Apartments	Medium	$65
La Quinta-Houston #515	Medium	$64
Westchase Fairfield Inn	Medium	$61
Quality Inn	Medium	$60
Shoneys Inn Dairy Ashford	Low	$57
Homestead Village	Low	$54
Comfort Inn	Low	$50
Motel 6 # 1401	Low	$48
Days Inn West	Low	$46
Red Roof Inn #229	Low	$41
Econo Lodge	Low	$40
Lafayette West Apartments	Low	$40
Ramada Hotel Near The Galleria	Low	$40
Average		$72.79

E. Trade Area Occupancy Levels

Occupancy levels vary significantly in the trade area. The Houston Marriott West Side appears to be the preferred location of the discriminating business traveler. The Radisson Town and Country's occupancy is at 57.37%. The Adam's Mark in Westchase is at 49.68%. Average estimated occupancy rate for hotels within 5 miles of Memorial City is approximately 56%.

Name	*Estimated Occupancy*
Ramada Hotel Near The Galleria	94.99%
Comfort Inn	93.09%
Lafayette West Apartments	86.95%
Houston Marriott West Side	69.44%
Red Roof Inn #229	69.32%
La Quinta Houston Wilcrest #529	68.21%
The Glenchester Apartments	67.96%
Houstonian Hotel	67.58%
Houston West Hilton	66.80%
La Quinta-Houston #515	61.90%
Westchase Hilton & Towers	61.56%
Homestead Village	60.11%
Shoneys Inn Dairy Ashford	60.11%
Hampton Inn	59.19%
Radisson Town And Country	57.37%
Adam's Mark Hotel	49.68%
Motel 6 # 1401	41.24%
Days Inn West	31.87%
Quality Inn	31.14%
Comfort Suites	30.62%
Best Western Westchase Mini Suites	24.92%
Econo Lodge	23.29%
Ramada Plaza Hotel	19.16%
Westchase Fairfield Inn	NA
Average Occupancy	**55.62%**

F. Summary

The overall trend for hotels in Harris County has been an expansion in the number of hotels without a corresponding growth in revenue per facility. This results in declining average revenue per hotel. The average revenue per hotel in Harris County is $1,064,009, nearly double the average revenue per hotel for Texas which is $551,884 for 1997. The average revenue for hotels within 5 miles of Memorial City Mall is $3,014,559 for 1997. The average revenue for the four hotels within the immediate vicinity of Memorial City Mall is $4,065,244 for 1997.

Name	*1997 Room Revenue*
Adam's Mark Hotel	$12,422,326
Houstonian Hotel	$11,038,269
Houston Marriott West Side	$9,697,534
Westchase Hilton & Towers	$7,779,303
Radisson Town And Country	$4,251,745
Ramada Hotel Near The Galleria	$3,392,406
Houston West Hilton	$2,488,953
La Quinta Houston Wilcrest #529	$1,947,355
Hampton Inn	$1,764,337
Homestead Village	$1,554,187
Ramada Plaza Hotel	$1,528,316
La Quinta-Houston #515	$1,426,062
Shoneys Inn Dairy Ashford	$1,418,394
Red Roof Inn #229	$1,381,243
The Glenchester Apartments	$1,272,147
Quality Inn	$1,251,051
Days Inn West	$1,060,647
Comfort Inn	$955,150
Lafayette West Apartments	$876,421
Motel 6 # 1401	$855,255
Comfort Suites	$478,905
Best Western Westchase Mini Suites	$443,183
Westchase Fairfield Inn	$51,678
	$69,334,867

The immediate area around Memorial City Mall contains predominantly mid-quality hotels. Revenue for these hotels is quadruple the state norm. There are sufficient hotels at most price levels within a five-mile radius of the location. Since the median occupancy rate for all the hotels is approximately 56% it is not foreseen that there will be a strong round of development activity in the near future. However, it appears that the upper end of the market is relatively healthy and should see the addition of several facilities within the next five years if a high quality environment is created.

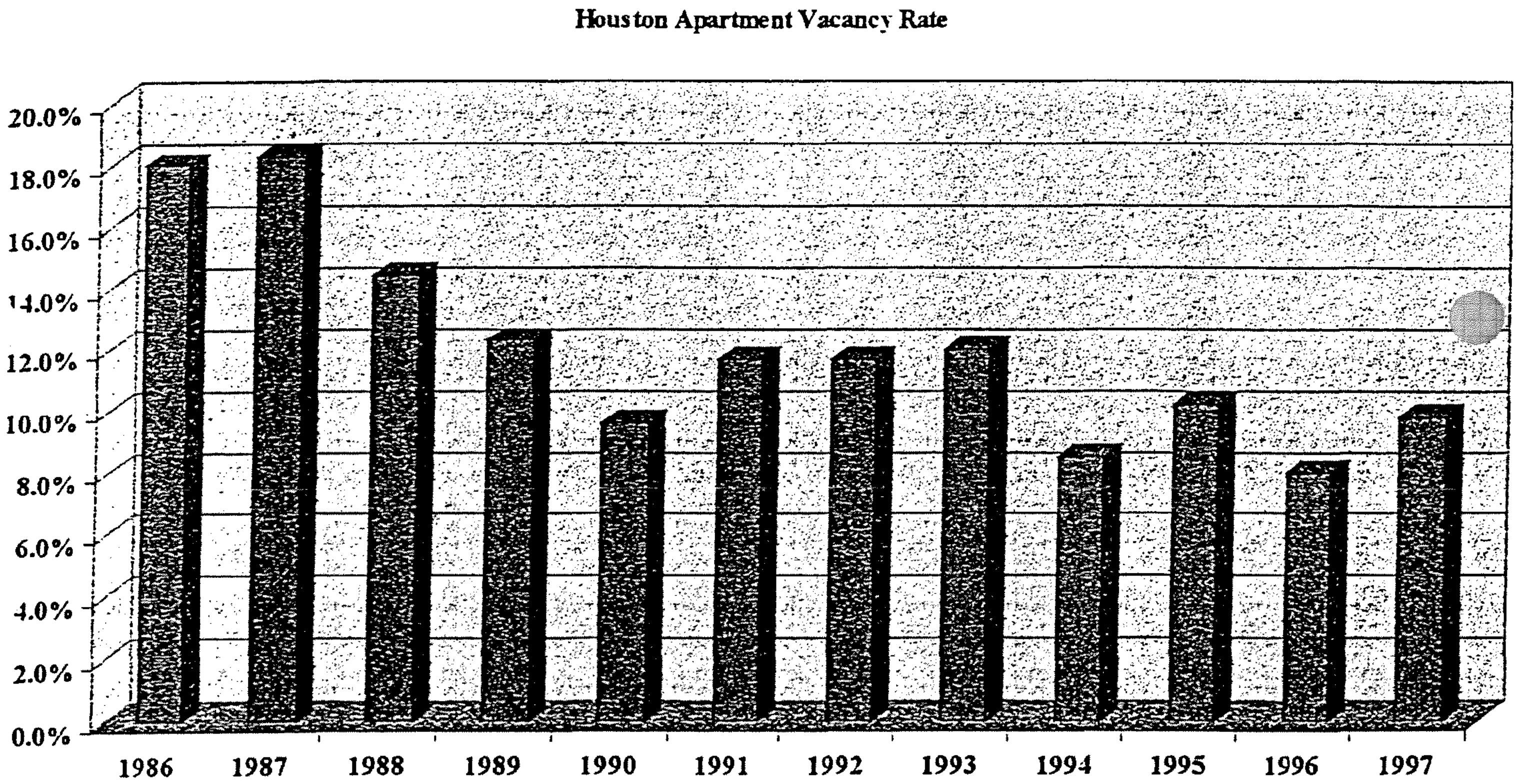
It is recommended that a first quality hotel be developed adjacent to the hospital complex with visibility from the freeway. This facility should be modeled after the Marriott's Jesse Jones Facility in the Medical Center.

It appears that demand levels are sufficient to consider the development of approximately 400 high quality rooms over the next five years in two facilities.

Note: The revenue data were gathered using tax records for 1984 – 1997. Some facilities may have emerged, changed identities or shut down since then. Every effort has been made to track these facilities and identify them. One specific case should be noted which is Executive Lodging. They were omitted because the estimate derived from analysis is inconclusive and inconsistent.

VIII. High Density Residential

The demand for apartments is typically measured by the overall vacancy rate. The fluctuations in the vacancy rate since 1986 are displayed in the chart below. Houston apartments reached their highest vacancy in 1987. Between 1987 and 1990 the vacancy rate dropped steadily and has remained relatively low since 1990. There are currently some early indications of an overall slowdown in Houston's economy, which will soon negatively impact the vacancy rate. However, it is unlikely the vacancy rate will increase dramatically over the next two years.



Year	Houston Apartment Vacancy Rate
1986	18%
1987	18.3%
1988	14.4%
1989	12.3%
1990	9.6%
1991	11.7%
1992	11.7%
1993	12%
1994	8.5%
1995	10.2%
1996	8.0%
1997	9.8%

The demand for new residential land uses near Memorial City is great at this time. Primarily, because of the lack of available land no new projects have been built in recent years. The area is composed of mature residential single-family land uses and older apartment complexes. The area also contains a number of condominium projects

There are two distinct groups of apartments in the Katy Freeway market area from Highway 6 to Loop 610. There are 85 apartment complexes located north of I-10 (ZIP Codes 77055 & 77080) most of which are second and third quality projects. South of Interstate 10 (Zip Codes 77024 & 77079) there are 35 apartment complexes most of which can be considered to be *better* quality residential units.

Within two miles of Memorial City there are ten apartment complexes.

Apartment Complexes Located North of Interstate 10 and within Two Miles of Memorial City Mall

Ivy Club Apartments	10060 Old Katy Rd	1.50 mi N
Blalock Woods Apartments	1111 Blalock Rd	1.75 mi Nw
Blalock Apartments	1207 Blalock Rd	1.91 mi N
Cedar Branch Apartments	1217 Blalock Rd	1.92 mi N
Timber Trace Townhomes	1221 Cedar Post Ln	1.92 mi Nw

Apartment Complexes Located South of Interstate 10 and within Two Miles of Memorial City Mall

Village Place Apartments	9075 Gaylord St	1.22 mi N
Memorial Creole Apartments	10220 Memorial Dr	1.28 mi W
Le Renaissance Apartments	970 Bunker Hill Rd	1.71 mi Nw
Kingbrook Apartments	855 Queen Annes Rd	1.77 mi Ne
Fox Hall Apartments The	8222 Kingsbrook Rd	1.82 mi Ne
Memorial City Apartments	872 Bettina Ln	2.00 mi W

The vacancy rate in apartment complexes is low in all the complexes surveyed. The average occupancy is slightly higher in complexes north of Interstate 10. Rental rates are very much lower north of I-10 than south of I-10. All of the complexes are old. The area appears ripe for the development of newer high-density apartments.

To upgrade the area and keep the area from economic erosion the development of condominium projects should be considered. Only high security apartments or mid-rise elevator complexes should be built in the immediate vicinity of the mall. Rental rates in excess of $1.00 per sq.ft. for high quality new apartments should be attainable close to the mall. Several of the projects on the north side of I-10 should be acquired and renovated or demolished to upgrade the area.

Apartment Complexes Located North of Interstate 10 and within Two Miles of Memorial City Mall

	Rent Sq.ft.	Units	Vacancy	Occupancy Rate	Age
Ivy Club Apartments	$ 0.741	205	10	95%	25
Blalock Woods Apartments	$ 0.634	300	15	95%	23
Blalock Apts	$ 0.542	80	5	94%	25
Cedar Branch Apts	$ 0.588	236	7	97%	17
Timber Trace Townhomes	$ 0.509	27	0	100%	15
		848	37	96%	

	Rent Sq.ft.	Units	Vacancy	Occupancy Rate	Age
Village Place Apts	$ 0.771	84	2	98%	34
Memorial Creole Apartments	$ 0.978	155	2	99%	32
Le Renaissance Apartments	$ 0.827	164	1	99%	27
Kingsbrook Apartments	$ 0.765	94	0	100%	25
Fox Hall Apartments The	$ 0.906	306	18	94%	25
Memorial City Apts	$ 0.761	422	0	100%	30
		1225	23	98%	

IX. General Purpose Office Space

The following section of this report details the supply and demand for general-purpose office space in the Houston area, along the Katy Freeway Corridor and the "Energy Corridor". In this section of the report "Office Space" means General Purpose Office space which is distinct from Professional and Medical Office space (POB) which is discussed in a following section.

A. Supply of General Purpose Office Space

There are approximately 1,600 office buildings in the greater Houston area with a total of 168-million sq. ft. of leaseable area. Prior to 1960 the Houston area had approximately 8.8 million sq. ft. of office space nearly all of it located in downtown Houston. During the 1960's the suburban office market began to develop and approximately 10.7-million sq. ft. was added to the inventory of office space. This represented 6.4 % of the total current inventory of office space and a doubling of the amount of office space previously built in Houston. The 1970s saw another rapid round of development when just over 50-million sq. ft. of office space was opened. Again the supply of office space was increased by over 100%. The 1980's saw the greatest explosion of office space development when the amount of office space nearly doubled with the addition of 93.6 million sq.ft. of office space. It is estimated that 55.8% of the office space, which exists in Houston, was built in the 1980s. Nearly all of the building activity occurred during the first half of the eighties. This led to severe overbuilding from which the Houston area is now nearly recovered. The 1990's have so far been a decade of very moderate construction activity with less than 4.2 million sq.ft. being opened. The following table shows the additions to supply by decade and the percentage built each decade.

Prior to 1960	8,823,980	5.3%
1960s	10,704,175	6.4%
1970s	50,390,930	30.1%
1980s	93,590,808	55.8%
1990s	4,155,894	2.5%
	167,665,787	100.0%

B. Demand for General Purpose Office Space

The demand for General Purpose Office Space is measured in the amount of occupied space as a percentage of total available leaseable office space. In 1980 the demand for and the supply of office space was in equilibrium with an occupancy rate of 94%. Currently the occupancy rate is approximately 88%. The lowest occupancy rate was experienced in 1988 when occupancy fell to 71%. The following table displays the fluctuations in the occupancy level for Class A, Class B, Class C and Class D office buildings. These classes reflect the quality and size of buildings.

Occupancy of Office Space by Class					
Year	Class A	Class B	Class C	Class D	Total
1980	96.8	96.3	90.1	88.7	93.9
1981	98.9	95.6	91.1	86.1	94.3
1982	98.5	93.4	89.0	85.5	93.0
1983	89.2	82.4	81.4	82.6	84.1
1984	76.1	75.2	77.3	76.5	76.0
1985	79.1	76.5	72.7	73.9	76.5
1986	80.7	73.9	67.7	68.7	74.8
1987	79.4	69.3	63.0	64.2	71.4
1988	81.3	68.7	61.4	60.5	71.3
1989	83.4	72.4	59.8	64.0	73.7
1990	85.9	74.9	62.7	66.5	76.1
1991	87.2	78.5	65.0	68.9	78.7
1992	88.0	80.2	65.9	73.0	80.1
1993	87.9	80.3	66.7	72.2	80.3
1994	87.2	80.0	67.2	71.8	80.0
1995	90.1	80.0	68.5	73.0	81.4
1996	90.4	80.8	68.9	69.9	82.1
1997	92.2	82.5	70.1	71.7	83.8
1998	95.2	88.1	73.2	66.3	87.7

C. Market Area Supply of General Purpose Office Space.

The following section of this report examines the supply of and the demand for General Purpose Office space along the Katy Freeway Corridor from Loop 610 out to the City of Katy. The total inventory of General Purpose Office space is 16.2 million sq.ft. of space in this market area. There are 205 individual office buildings in 154 office complexes. The average office building is approximately 80,000 sq.ft. in size.

Office building development began in the late 1960's when 359,367 sq.ft. of space represented the total inventory. During the 1970's an additional 2.6 million sq.ft. was developed. The greatest increase took place during the 1980's when 74.8% of the inventory was developed or 12.1 million sq.ft. The most dramatic examples of this development took place with major energy companies relocating to an area west of Memorial City into the "Energy Corridor". This spawned the development of speculatively built multi-tenant buildings along the Katy Corridor. The 1990's have seen a modest amount office space development in this market area estimated at 1.1million sq. ft. The supply of space is expected to continue to expand at a healthy rate of at least 500,000 sq.ft. per year. Of this total, the Memorial City area could capture approximately 100,000 per year if improvements to the area are substantial.

Decade	Supply of GP Office Space in Square Feet	%
1960's	359,367	2.2%
1970's	2,623,963	16.2%
1980's	12,142,661	74.8%
1990's	1,117,776	6.9%
Total	16,243,767	100.0%

D. Demand for General Purpose Office Space in the Market Area

The demand for General Purpose Office space in the market area is measured by the occupancy rate or the amount of occupied space over time. Currently, the demand for office space is at 93.5%. The demand for office space by age (decade built) does not show any pattern very contrary to the distribution of the supply of space. The total demand is up to 15.2 million sq.ft. of occupied office space.

Decade	Demand for GP Office Space in Square Feet.	%
1960's	318,290	2.1%
1970's	2,328,559	15.3%
1980's	11,724,701	77.2%
1990's	812,551	5.4%
Total	15,184,101	100.0%

E. Supply Demand Relationship by Class in the Market Area

The supply/demand relationship by class for office space reveals a somewhat different pattern. Both Class A and Class B buildings are functionally full while there remains space available in the Class C and Class D buildings.

Class	Supply of Office Space	Occupied Square Feet	Occupancy Rate
A	6,685,534	6,341,229	94.9%
B	6,765,500	6,426,264	95.0%
C	2,645,427	2,293,416	86.7%
D	147,306	123,192	83.6%

F. Absorption of Office Space in the Market Area

The absorption of office space is the net amount that occupancy increases from one time period to another. Occupancy is the total amount of occupied space as measured in square feet of leaseable area. Over the past three years, absorption has averaged 411,376 sq. ft. Most of the absorption has taken place in Class B buildings. Because there is so little space available in Class A space, little absorption can take place until new buildings are completed. Total available space is approximately 652,000 sq.ft. There is now approximately an 18 month supply of office space in the market area which indicates that rental rates will continue to rapidly rise and new development should occur.

Without major infrastructure development <u>and</u> office park development within the most the major office buildings will continue to be constructed west of the immediate Memorial City area.

To meet demand, at least 500,000 sq. ft. of office space will have to be added to this market area annually. This will amount to a maximum of five buildings per year and a minimum of two for the foreseeable future.

Class	Absorption			3 Year
	1995	1996	1997	Average
Class A	6,755	40,858	23,132	23,582
Class B	429,269	181,394	269,243	293,302
Class C	11,230	43,335	212,157	88,907
Class D	11,583	2,559	2,613	5,585
	458,837	268,146	507,145	411,376
		651691	1.58	

The additions to the supply of office space in close proximity to Memorial City has been constrained by the availability of high quality sites where an office building developer could create an office park environment and not be juxtaposed with deleterious adjacent land uses, lack of sufficient utility capacity, and lack-of frontage along major thoroughfares.

Office building developers have successfully built buildings north of I-10, and now that the railroad tracks are gone, the interest from office building developers should be substantial. However, the quality of building sites within the "Energy Corridor" will probably pull office development to the west, unless an excellent environment can be created north of I-10.

There are sites large enough within the planning area to accommodate the development of several office parks if the infrastructure is created to provide ease of development.

We project that the office market is strong enough to suggest that 600,000 sq.ft. of General Purpose Office space can be successfully developed in the area over the next five years.

X. Professional and Medical Office Buildings

The following section of this report examines the market for Professional and Medical Office Building (POB) space in the Houston area and in the market area along the Katy Freeway Corridor.

A. Supply of Professional Office Building Space

There are 142 professional and medical office projects containing 191 individual Professional and Medical (POB) office buildings. These buildings contain 12 million-sq. ft. of gross area and 9.9 of leaseable area. Approximately one million sq. ft. of Professional and Medical office space was constructed prior to 1971 or 8.8% of the inventory. The 1970's experienced a surge of development when 29.9% of the POB space was constructed or 3.6 million sq.ft. The following decade nearly half of all the POB space was developed amounting to 5.9 million sq.ft. Very little space has been developed in the 1990's. From 1990 through 1997 the total amount of POB space opened was 1.4 million or 11.9%. With occupancy levels increasing and rental rates rising it is likely that the development of POB space will increase significantly over the next five to seven years.

Supply of Professional and Medical Office Space			
Year	Square Feet	Year	Square Feet
Prior to 1971	1,054,500	1983	587,977
1971	244,366	1984	1,536,634
1972	197,531	1985	1,211,507
1973	310,215	1986	253,782
1974	811,734	1987	230,858
1975	255,213	1988	636,052
1976	502,590	1989	136,366
1977	111,300	1990	1,048,897
1978	122,272	1991	242,932
1979	1,032,800	1992	-
1980	400,840	1993	-
1981	595,414	1994	75,000
1982	341,177	1995	57,720

B. Demand for Professional Office Building Space

The demand for space is measured primarily in relationship to the amount of occupied leaseable space by class. There are four classes in terms of quality that define Professional and Medical office space ranging from A through D. Class A space is composed of 2.8 million sq. ft. of office space of which 120,167 is vacant for a very high occupancy rate of 95.7%. Only 10.0% of the vacant space is in Class A Professional and Medical space. Class B space is the largest group with approximately 4.8 million-sq. ft. Of this total, just over one half million sq. ft. is vacant. Occupancy is also high in this group with a rate of 88.9%. Class C space totals nearly 2.1 million sq. ft. Class C occupancy is also healthy at 85.3% with only 308,078 vacant. There is very little Class D Professional and Medical office space in the Houston area. Only 224,948-sq. ft. is classified as Class D and approximately two-thirds of this space is occupied.

The absorption of POB space is the net increase or decrease in the amount of occupied space measured in sq. ft. The absorption of POB space in 1995 was barely negative as it was in 1996 when drops in occupancy occurred of 28,739 and 34, 330 sq. ft. respectively. It 1997 absorption turned strongly positive with an increase of 197, 448 sq.ft. In 1998 it is expected that even more space will be absorbed. It appears that there is only a one-year supply of POB space left in the Houston area. With little new supply being constructed rental rates should begin to increase rapidly.

Rental rates vary significantly by Class. The lowest average quoted rental rates are found in Class D buildings at $13.29 per sq.ft. per year. The highest rates are of course in Class A buildings which are now being quoted at a minimum of $20.00 per sq. ft. Class B and C space is now being quoted at $16.71 and $14.78 per sq. ft. respectively.

Houston Professional & Medical Office Buildings in the Houston Area

Class	Leasable Area	% of Total	Vacancy	% of Total	Occupancy	Rental Rate
A	2,789,312	28.2%	120,167	10.9%	95.7%	$ 20.69
B	4,780,236	48.4%	530,934	48.2%	88.9%	$ 16.71
C	2,092,100	21.2%	308,078	28.0%	85.3%	$ 14.78
D	224,948	2.3%	142,512	12.9%	36.7%	$ 13.29
	9,886,596	100.0%	1,101,691	100.0%	88.9%	$ 17.53

C. *Katy Freeway Corridor*

There are 18 POBs located along the Katy Freeway. These buildings contain approximately ten percent of the POB space in the Houston area. The market for Professional and Medical office buildings in the Katy Freeway Corridor is very good. Currently there are nine Class B and nine Class C POBs located in this market area. Both the Class B and Class C buildings are well occupied. The nine Class B buildings have 730,818 sq. ft. of office space of which only 83,062 is vacant for an occupancy rate of 88.63%. The average size of these buildings is 81,202 sq. ft. The Class C group of buildings total only 260,388 sq. ft. These nine buildings average only 28,932 sq. ft and the occupancy rate for these buildings is 92.44%. Collectively these buildings have only 19,688-sq. ft. available for lease. The overall vacancy rate is at 89.63%. Rental rates in these buildings range from an average of $12.91 in the Class C buildings to an average of $15.04 per sq. ft. in the Class B POBs.

Absorption of Professional and Medical office space is healthy along the Katy Freeway Corridor. There is now a twelve-month supply of this type of office space assuming that absorption in 1998 is the same as it was in 1997. The lack of available Professional and Medical office space should spur the conversion of General-purpose office space into Professional and Medical office space or the construction of several new buildings in the near term.

Class	Leasable Area	% of Total	Vacancy	% of Total	Occupancy	Rental Rate
B	730,818	73.73%	83,062	88.63%	88.63%	$15.04
C	260,388	26.26%	19,688	92.44%	92.44%	$12.91
	991,206	100.00%	102,750	100.00%	89.63%	$14.44

It appears that with no new additions to the supply of hospital beds or other ancillary generators, the Katy Freeway Corridor could absorb between 50,000 to 75,000 square of POB space annually for the next five years.

The impact of expansion plans, if they take place, at Memorial/Hermann could spur the demand for POB space adjacent to the hospital. In addition to this additional POB space, which is primarily going to be generated from the expansion of existing Professional and Medical space users near the hospital, ancillary demand should remain healthy and provide for new development along the Katy Freeway Corridor in other locations particularly on undeveloped sites and underutilized sites. This is very dependent upon adequate utilities and other infrastructure elements.

XI. Healthcare in Houston

The market for healthcare in the Houston area is highly competitive. The cost of healthcare has actually decreased over the past few years because of the introduction of HMOs. In 1998 it is expected that health care costs will begin to rise slightly.

Providers of healthcare are merging, acquiring other providers, developing alliances or developing strong buying groups to increase efficiencies.

The emphasis is now on primary care rather than specialty care with Providers attempting to provide a continuum of care.

Only 17% of total admissions are controlled by independent hospitals. Hospitals are predicted to experience decreased utilization as managed care and other factors push patients into outpatient settings.

Consolidation of this industry is expected to result in a continued reduction in the number of facilities, which provide service. The elimination of sites is thought to be one of the easiest methods for reducing operating expenses. These competitive forces may cause the closure of inefficient facilities or smaller facilities and the merger of complimentary facilities.

On the other hand, the largest or most profitable providers will most likely attempt to create larger more extensive facilities in strategic locations in order to maintain market share.

System	Licensed Acute Care Beds	Admissions	Market Share
Columbia/HCA Healthcare Corporation	3,324	117,972	25%
Memorial Hermann Healthcare System	1,745	70,320	15%
The Methodist Health Care System	1,742	43,798	9%
Harris County Hospital District	764	41,242	9%
Tenet Healthcare Corporation	1,245	39,368	8%
Sisters of Charity of the Incarnate Word	660	23,175	5%
Department of Veterans Affairs	859	17,253	4%
University of Texas System-Houston	460	17,157	4%
Quorum Health Group Inc.	134	5,373	1%
Paracelsus Healthcare Corporation	191	3,297	1%
Community Health Systems Inc.	76	934	<1%
Horizon/CMS Healthcare Corporation	60	776	<1%
Shriners Hospitals for Children	40	662	<1%

Total affiliated beds are now at 11,030 and total unaffiliated beds are at 2,165 for at total number of licensed acute beds at 13,195. Admissions have a similar pattern with total 381,327. Total unaffiliated admissions are at 85,920 for a grand total of 467,247 admissions.

A. Columbia/HCA

Columbia/HCA is the largest hospital-system in the Houston area. Its market share is at 25% up 2%. Licensed acute beds in Columbia's 16 acute care facilities were down to 3,324 from 4,124 the previous year. Columbia has dropped its plans to build and operate an $83 million pediatric specialty hospital. Texas Children's Hospital is planning an expansion of its facilities, and Hermann, which operates Hermann Children's Hospital, is finishing a $150 million patient care facility that has new pediatric care facilities. The merger between Memorial Health Systems and Hermann hospitals will provide Columbia with strong competition

Columbia Healthcare Systems Houston Area Facilities		
Name of Acute Care Facility	Location	Beds
Columbia Alvin Medical Center	Alvin	56
Columbia Bayshore Medical Center	Pasadena	353
Columbia Bellaire Medical Center	Houston	191
Colunbia Clear Lake Regional Medical Center	Webster	431
Columbia Conroe Regional Medical Center	Conroe	182
Columbia East Houston Medical Center	Houston	232
Columbia Fort Bend Medical Center	Missouri City	64
Columbia Katy Medical Center	Katy	73
Columbia Kingwood Medical Center	Humble	149
Columbia Mainland Medical Center	Texas City	171
Columbia North Houston Medical Center	Houston	114
Columbia North Houston Medical Center-Airline	Houston	204
Columbia Rosewood Medical Center	Houston	231
Columbia Spring Branch Medical Center	Houston	345
Columbia West Houston Medical Center	Houston	169
Columbia Women's Hospital of Texas	Houston	148
Texas Orthopedic Hospital, a Columbia Affiliate	Houston	169

B. Memorial Hermann Healthcare System

Memorial Hermann is Houston's largest not-for-profit system with Memorial's six hospitals and Hermann's 655-bed facility. The merger was completed in November of 1997. The complimentary merger lets Memorial have access to the specialized care of Hermann. Memorial Hermann is expected to have a 20% market share. Hermann will continue to provide healthcare for the indigent. Memorial Hospital has a relationship with the Sisters of Charity which runs 30 clinics and an HMO in Southeast Texas.

Memorial Hermann Healthcare Systems		
Acute Care Facilities in the Houston MSA:	Location	Beds
Memorial		
Memorial Hospital Memorial City	West Houston	305
Memorial Hospital Northwest	Houston	175
Memorial Hospital Pasadena	Pasadena	172
Memorial Hospital Southeast	Houston	256
Memorial Hospital Southwest	Houston	466
Memorial Hospital Woodlands	The Woodlands	68
Hermann Hospital		
Acute Care Facilities in the Houston MSA:		
Hermann Hospital	Houston	500
Hermann Children's Hospital	Houston	150

C. Methodist Healthcare System

Methodist Hospital part of the Methodist Healthcare system is one of the largest private non-profit, acute care facilities in the United States. It serves 40,000 patients annually and performs nearly one million outpatient surgical procedures each year. Methodist has experienced a decline of market share from 11% to 9%.

Methodist is the primary teaching hospital for Baylor College of Medicine. It is considered to be one of the most surgically intensive hospitals in the country.

Methodist Healthcare System		
Acute Care Facilities	Location	Beds
The Methodist Hospital	Houston	855
Diagnostic Center Hospital	Houston	145
Polly Ryon Memorial Hospital	Richmond	145
San Jacinto Methodist Hospital	Baytown	327

D. Harris County Hospital District

The Harris County Hospital District has a 9% share of market down from 10%. The District's mission is to serve the community without regard to the ability to pay. The medical staff comes from two world re-nowned medical schools, Baylor College of Medicine and the University of Texas Houston Health Science Center. In addition to three hospitals, the institutions also have a clinic for HIV/AIDS, a dental center and a net work of heathcare centers throughout Houston.

Harris County Hospital District		
Acute Care Facilities	Location	Beds
Ben Taub General Hospital	Houston	530
Lyndon B. Johnson General Hospital	Houston	234

E. Sisters of Charity of the Incarnate Word Health Care

Sisters of Charity of the Incarnate Word Health Care System (Houston, TX) is a not-for-profit Catholic-based system. The system includes St. John Hospital and St. Joseph Hospital, two prominent acute care facilities in Houston. Sisters of Charity holds a 5% share of the market for hospital admissions, a decrease from 6% the prior year. In 1995, Sisters of Charity and Memorial embarked upon a 50-50 joint venture in Houston to form Memorial/Sisters of Charity Health Network. This network offers managed care, clinic services, and PPO plans. Early in 1997, the network launched a new health plan for Medicare participants as part of a federal program to expand enrollment in managed care plans.

Sisters of Charity of the Incarnate Word	Location	Beds
Acute Care Facilities		
St. John Hospital (;beds)	Houston	133
St. Joseph Hospital (;beds)	Houston	527

F. Tenet Houston

After Tenet's (Santa Barbara, CA) acquisition of OrNda, announced in October 1996, Tenet grew to a 7% share of the annual acute care admissions in the Houston MSA. OrNda was the larger player in this market due to its expansion during 1995 and 1996 with the acquisition of the 498-bed Houston Northwest Medical Center and the 136-bed Cypress Fairbanks Medical Center.

Tenet focuses on developing regional healthcare delivery networks in strategic markets, anchored by its acute care facilities. These networks are designed to provide a full spectrum of care including long-term, outpatient surgery, home health, rehab, psychiatric, specialty care and ancillary services.

Tenet, which formed in 1995 through a merger of National Medical Enterprises and American Medical Holdings, is the second largest proprietary health system in the country, about one-third the size of industry giant Columbia/HCA.

Tenet Houston Health System		
Acute Care and Specialty Facilities	**Location**	**Beds**
Cypress Fairbanks Medical Center	Houston	136
Northwest Medical Center	Houston	498
Park Plaza Hospital	Houston	468
Sharpstown General Hospital	Houston	190
Twelve Oaks Hospital	Houston	336
Plaza Specialty Hospital	Houston	38

G. Department of Veterans Affairs

The Department of Veterans Affair's 837-bed acute care facility is part of the Houston Veteran Affairs Medical Center (VAMC) and serves 50,000 veterans. The system controls almost 4% of the 1997 Houston inpatient admissions market. The hospital's state-of-the-art automated transport system uses electronically guided carts on concealed magnetic guide paths to deliver food, laundry, and supplies throughout the building. It is part of the Texas Medical Center, and its physicians are faculty members at Baylor College of Medicine.

The Department of Veterans Affairs (VA), the largest integrated healthcare provider in the country, is facing huge nationwide cutbacks and layoffs. At the same time, it is becoming embroiled in the same quality-of-care issues as commercial providers.

Food Outlet s within Two Miles of Memorial City	Type	Type	Address	Distance
Burger King	Fast Food	Burgers	10075 Long Point Rd	1.03 mi N
Jack In The Box	Fast Food	Burgers	12310 Kingsride Ln	0.04 mi W
Jack In The Box	Fast Food	Burgers	1419 Gessner Dr	1.13 mi N
Jack In The Box	Fast Food	Burgers	7699 Katy Fwy	1.67 mi E
Mc Donalds	Fast Food	Burgers	1303 Gessner Dr	0.80 mi N
Mc Donalds	Fast Food	Burgers	1409 Brittmoore Rd	1.94 mi Nw
Mc Donalds	Fast Food	Burgers	8147 Katy Fwy	1.67 mi E
Mc Donalds	Fast Food	Burgers	900 Gessner Rd	0.00 mi
Mc Donalds	Fast Food	Burgers	9309 Katy Fwy	1.50 mi E
Redline Burger & Chicken	Fast Food	Burgers	10049 Long Point Rd	1.04 mi N
Wendy's	Fast Food	Burgers	1225 Gessner Dr	0.73 mi N
Whataburger Inc	Fast Food	Burgers	1040 Gessner Dr	0.45 mi N
Whataburger Inc	Fast Food	Burgers	8009 Katy Fwy	1.67 mi E
Chick Fil A	Fast Food	Chicken	385 Memorial City	1.67 mi E
Chick Fil A	Fast Food	Chicken	900 Gessner Rd	0.00 mi
Church's Chicken	Fast Food	Chicken	10088 Long Point Rd	1.04 mi N
Popeye's Chicken & Biscuits	Fast Food	Chicken	1615 Gessner Dr	1.44 mi N
Cinnabon	Fast Food	Cinnamon Buns	900 Gessner Rd # 778	0.00 mi
Mr Frank	Fast Food	Hotdogs	900 Gessner Rd # 758	0.00 mi
Baskin-Robbins Ice Cream	Fast Food	Ice Cream	12740 Memorial Dr	1.14 mi Sw
Baskin-Robbins Ice Cream	Fast Food	Ice Cream	1634 Gessner Dr	1.51 mi N
Baskin-Robbins Ice Cream	Fast Food	Ice Cream	9315 Katy Fwy # A	1.49 mi E
Marble Slab Creamery	Fast Food	Ice Cream	12528 Memorial Dr	0.94 mi S
Marble Slab Creamery	Fast Food	Ice Cream	756 Memorial City	1.67 mi E
Sbarro Italian Eatery	Fast Food	Italian	395c Memorial City	1.67 mi E
Sbarro Italian Eatery	Fast Food	Italian	800 W Sam Houston Pkwy N	1.12 mi W
Taco Bell	Fast Food	Mexican	900 Gessner Rd	0.00 mi
Taco Bell	Fast Food	Mexican	1223 Gessner Dr	0.73 mi N
Cici's Pizza	Fast Food	Pizza	1037 Gessner Dr	0.44 mi N
Domino's Pizza	Fast Food	Pizza	12649 Memorial Dr	1.14 mi Sw
Domino's Pizza	Fast Food	Pizza	1927 Gessner Dr	1.96 mi N
Arby's	Fast Food	Roast Beef	395 Memorial City	1.67 mi E
Arby's	Fast Food	Roast Beef	800 W Sam Houston Pkwy N	1.12 mi W
Belami Croissant Sandwich Shop	Fast Food	Sandwiches	1020 Campbell Rd	1.89 mi E
Blimpie Subs & Salads	Fast Food	Sandwiches	900 Gessner Rd # 303	0.00 mi
Cindy's Deli	Fast Food	Sandwiches	8586 Katy Fwy	1.67 mi E
Highrise Deli	Fast Food	Sandwiches	9821 Katy Fwy	0.71 mi Ne
Liz Sandwich Shoppe	Fast Food	Sandwiches	909 Frostwood Dr	0.22 mi W
Liz Sandwich Shoppe	Fast Food	Sandwiches	920 Frostwood Dr	0.20 mi W
Memorial Deli	Fast Food	Sandwiches	800 Gessner Rd	0.24 mi S
Sandwiches & Stuff	Fast Food	Sandwiches	901 Town And Country Blvd	1.03 mi W

Schlotzsky's Deli	Fast Food	Sandwiches	1009 S Gessner Rd	1.94 mi S
Subway Sandwiches & Salads	Fast Food	Sandwiches	9401 Katy Fwy # B	1.45 mi E
Thundercloud Subs	Fast Food	Sandwiches	1014 Gessner Dr	0.41 mi N
Town & Country Deli	Fast Food	Sandwiches	10497 Town And Country Way	1.67 mi E
Sandwiches & Stuff	Fast Food	Sanwiches	1610 W Sam Houston Pkwy N	1.72 mi Nw
Splassh	Fast Food	Smoothies	755 Memorial City	1.67 mi E
Splassh	Fast Food	Smoothies	900 Gessner Rd # 755	0.00 mi
Fifty Nine Diner	Restaurant Beer & Wine Permit	American Breakfast	8125 Katy Fwy	1.67 mi E
Eats Bbq & Steaks	Restaurant Beer & Wine Permit	Barbecue	1450 W Sam Houston Pkwy N	1.45 mi Nw
Goode Co Barbeque	Restaurant -Beer & Wine Permit	Barbecue	8911 Katy Fwy	1.67 mi E
Luther's Barbeque	Restaurant Beer & Wine Permit	Barbecue	1001 Gessner Dr	0.37 mi N
Charlie's Hamburger Joint	Restaurant Beer & Wine Permit	Burgers	9747 Katy Fwy	0.82 mi E
Fuddruckers	Restaurant Beer & Wine Permit	Burgers	10500 Town And Country Way	1.67 mi E
Prince's Hamburgers	Restaurant Beer & Wine Permit	Burgers	9535 Katy Fwy # A	1.20 mi E
Southwell's Hamburger Grill	Restaurant Beer & Wine Permit	Burgers	8800 Katy Fwy	1.67 mi E
Great Charcoal Chicken Co	Restaurant Beer & Wine Permit	Chicken Family	1000 Campbell Rd # 500	1.89 mi E
General Joe's Chopstix	Restaurant Beer & Wine Permit	Chinese	1000 Campbell Rd	1.89 mi E
Golden King Restaurant	Restaurant Beer & Wine Permit	Chinese	1039 Gessner Dr	0.45 mi N
Lucky Garden	Restaurant Beer & Wine Permit	Chinese	10002 Long Point Rd	1.08 mi N
Mandarin Cafe	Restaurant Beer & Wine Permit	Chinese	9486 Long Point Rd	1.78 mi Ne
Hunan Inn Restaurant	Restaurant Beer & Wine Permit	Chinese Hunan	9443 Katy Fwy	1.37 mi E
Hunan's II	Restaurant Beer & Wine Permit	Chinese Hunan	554 Town And Country Vlg	1.67 mi E
Jason's Deli	Restaurant Beer & Wine Permit	Dandwiches	10321 Katy Fwy # A	1.67 mi E
James Coney Island	Restaurant Beer & Wine Permit	Hot Dogs	701 Town And Country Blvd	1.06 mi W
Ramano's Macaroni Grill	Restaurant Beer & Wine Permit	Italian	10407 Katy Fwy # C	1.67 mi E
Riviera Grill	Restaurant Beer & Wine Permit	Italian	10655 Katy Fwy	1.67 mi E
Taqueria Cancun Restaurant	Restaurant Beer & Wine Permit	Mexican	9957 Long Point Rd	1.07 mi N
Taqueria Arandas	Restaurant Beer & Wine Permit	Mexican	1826 Gessner Dr	1.82 mi N
Pizza Inn	Restaurant Beer & Wine Permit	Pizza	1521 Gessner Dr	1.28 mi N
Bennigan's	Restaurant with Mixed Beverage Permit	American	1030 W Sam Houston Pkwy N	1.19 mi W

Chili's Grill & Bar	Restaurant with Mixed Beverage Permit	American	1040 W Sam Houston Pkwy N	1.21 mi W
Mason Jar	Restaurant with Mixed Beverage Permit	American	9005 Katy Fwy	1.67 mi E
Skeeter's Mesquite Grill	Restaurant with Mixed Beverage Permit	Burgers	700 Town And Country Blvd	1.05 mi W
Pappy's Grill	Restaurant with Mixed Beverage Permit	Burgers Tex Mex	9041 Katy Fwy	1.67 mi E
North China Restaurant	Restaurant with Mixed Beverage Permit	Chinese	879 Frostwood Dr	0.23 mi W
Hunan Emperor	Restaurant with Mixed Beverage Permit	Chinese Hunan	12538 Memorial Dr	0.94 mi S
Hunan Village	Restaurant with Mixed Beverage Permit	Chinese Hunan	987 Bunker Hill Rd	0.82 mi E
Lantern Inn Restaurant	Restaurant with Mixed Beverage Permit	Continental	12448 Memorial Dr	0.92 mi S
Stoli Grill	Restaurant with Mixed Beverage Permit	Continental	13148 Memorial Dr	1.61 mi W
Black Eyed Pea Restaurant	Restaurant with Mixed Beverage Permit	Country	608 W Bough Ln # 551	0.97 mi W
Goodson's Cafe	Restaurant with Mixed Beverage Permit	Country	1045 Gessner Dr	0.46 mi N
Taste Of Texas	Restaurant with Mixed Beverage Permit	Country Texan	10505 Katy Fwy	1.67 mi E
Ciro's Cibi Italiani	Restaurant with Mixed Beverage Permit	Italian	1000 Campbell Rd # 550	1.89 mi E
Mandola's Family Table Rstrnt	Restaurant with Mixed Beverage Permit	Italian	7947 Katy Fwy	1.67 mi E
Olive Garden	Restaurant with Mixed Beverage Permit	Italian	900 Gessner Rd # 1000	0.00 mi
Pappamia Italian Kitchen	Restaurant with Mixed Beverage Permit	Italian	10201 Katy Fwy	1.67 mi E
Yoshida-Ya Japanese Rstrnt	Restaurant with Mixed Beverage Permit	Japanese	855 Frostwood Dr	0.23 mi Sw
Il Mi Jung	Restaurant with Mixed Beverage Permit	Korean	10017 Long Point Rd	1.05 mi N
Korea Garden Restaurant	Restaurant with Mixed Beverage Permit	Korean	9501 Long Point Rd	1.68 mi Ne
Seoul Garden Restaurant	Restaurant with Mixed Beverage Permit	Korean	9446 Long Point Rd	1.78 mi Ne
Fandango's	Restaurant with Mixed Beverage Permit	Mexican	9401 Katy Fwy # A	1.45 mi E
La Fiesta Mexican Restaurant	Restaurant with Mixed Beverage Permit	Mexican	9739 Katy Fwy	0.83 mi E
Ninfa's Mexican Restaurant	Restaurant with Mixed Beverage Permit	Mexican	9333 Katy Fwy # B	1.49 mi E
El Patio Mexican Restaurant	Restaurant with Mixed Beverage Permit	Mexican	1630 Gessner Dr	1.51 mi N
Guadalajara Mexican Grille	Restaurant with Mixed Beverage Permit	Mexican	12821 Kimberley Ln	0.96 mi W
Pappasito's Cantina	Restaurant with Mixed Beverage Permit	Mexican	10409 Katy Fwy	1.67 mi E
Las Alamedas Mexican Rstrnt	Restaurant with Mixed Beverage Permit	Mexican Gourmet	8615 Katy Fwy	1.67 mi E
Pappadeaux Seafood Kitchen	Restaurant with Mixed Beverage Permit	Seafood Cajun	10499 Katy Fwy	1.67 mi E

Steak & Ale Restaurant	Restaurant with Mixed Beverage Permit	Steak	111900 Katy Fwy	1.67 mi E
Saltgrass Steak House/Fsi	Restaurant with Mixed Beverage Permit	Steakhouse	8943 Katy Fwy	1.67 mi E
Champ's Restaurant Inc	Restaurant without Alcohol Permit	American Breakfast	999 Frostwood Dr	0.38 mi Nw
Denny's	Restaurant without Alcohol Permit	American Breakfast	8015 Katy Fwy	1.67 mi E
Paradise Bakery & Cafe	Restaurant without Alcohol Permit	Bakery	800 W Sam Houston Pkwy N Ste 206	1.12 mi W
Sonic Drive-In	Restaurant without Alcohol Permit	Burgers	1100 Blalock Rd	1.51 mi E
Luby's Cafeteria	Restaurant without Alcohol Permit	Cafeteria	240 Memorial City	1.67 mi E
Luby's Cafeteria	Restaurant without Alcohol Permit	Cafeteria	825 Town And Country Vlg	1.67 mi E
Piccadilly Classic American	Restaurant without Alcohol Permit	Cafeteria	321 Memorial City	1.67 mi E
Manchu Wok	Restaurant without Alcohol Permit	Chinese	900 Gessner Rd # 395h	0.00 mi
Pepper Tree	Restaurant without Alcohol Permit	Chinese	900 Gessner Rd	0.00 mi
Daily Cafe	Restaurant without Alcohol Permit	Deli Italian	10575 Katy Fwy	1.67 mi E
Mapo Korean Bbq	Restaurant without Alcohol Permit	Korean Barbeque	1411 Gessner Dr	1.12 mi N
Refresqueria La Hormiga	Restaurant without Alcohol Permit	Mexican	1515 Gessner Dr	1.28 mi N
Taqueria Arandina	Restaurant without Alcohol Permit	Mexican	10025 Long Point Rd	1.05 mi N
Taqueria Mi Tierra	Restaurant without Alcohol Permit	Mexican	1333 Gessner Dr	0.85 mi N
Pita Express	Restaurant without Alcohol Permit	Middle Eastern	900 Gessner Rd # 759	0.00 mi
Little Caesars Pizza	Restaurant without Alcohol Permit	Pizza	1304 Blalock Rd # M	1.68 mi Ne
Papa John's Pizza	Restaurant without Alcohol Permit	Pizza	7939 Katy Fwy	1.67 mi E
Pizza Hut	Restaurant without Alcohol Permit	Pizza	12351 Kingsride Ln	0.11 mi W
Frankie & Johnnies Salad	Restaurant without Alcohol Permit	Salad	9311 Katy Fwy	1.50 mi E
Souper Salad Restaurant	Restaurant without Alcohol Permit	Salad	900 Gessner Rd # 303	0.00 mi
Supreme Soup & Salad	Restaurant without Alcohol Permit	Salad	12323 Kingsride Ln	0.06 mi W
Gingerbread House Tea Room	Restaurant without Alcohol Permit	Tea Room	1415 Murray Bay St	1.14 mi N
Thai Racha	Restaurant without Alcohol Permit	Thai	10085 Long Point Rd	1.03 mi N

Appendix A Retail Sales by SIC Code GAFO Expenditures in Stores Harris County

Year	5311	Department Stores	Outlets	Average
1984 Total	$	1,929,479,902	185	$ 10,429,621
1985 Total	$	2,208,650,432	179	$ 12,338,829
1986 Total	$	2,119,441,810	167	$ 12,691,268
1987 Total	$	2,220,102,102	163	$ 13,620,258
1988 Total	$	2,300,985,973	180	$ 12,783,255
1989 Total	$	2,230,390,937	172	$ 12,967,389
1990 Total	$	2,352,641,139	178	$ 13,217,085
1991 Total	$	2,390,315,749	175	$ 13,658,947
1992 Total	$	2,490,896,609	198	$ 12,580,286
1993 Total	$	2,731,525,617	211	$ 12,945,619
1994 Total	$	2,821,005,195	202	$ 13,965,372
1995 Total	$	2,885,239,656	215	$ 13,419,719
1996 Total	$	3,077,694,506	189	$ 16,284,098
1997 Total	$	2,970,919,565	178	$ 16,690,559
Year	5621	Women's Clothing	Outlets	Average
1984 Total	$	319,179,032	821	$ 388,769
1985 Total	$	346,397,447	854	$ 405,618
1986 Total	$	324,281,661	916	$ 354,019
1987 Total	$	314,983,804	981	$ 321,084
1988 Total	$	321,697,175	1,058	$ 304,062
1989 Total	$	372,321,012	1,195	$ 311,566
1990 Total	$	382,871,317	1,259	$ 304,107
1991 Total	$	407,707,465	1,268	$ 321,536
1992 Total	$	410,950,300	1,232	$ 333,564
1993 Total	$	397,653,609	1,331	$ 298,763
1994 Total	$	366,326,273	1,200	$ 305,272
1995 Total	$	339,974,926	1,165	$ 291,824
1996 Total	$	336,402,165	917	$ 366,851
1997 Total	$	316,878,908	776	$ 408,349
Year	5632	Women's Accessories	Outlets	Average
1984 Total	$	143,270,615	617	$ 232,205
1985 Total	$	153,145,777	637	$ 240,417
1986 Total	$	171,690,801	591	$ 290,509
1987 Total	$	150,562,493	664	$ 226,751
1988 Total	$	181,094,453	707	$ 256,145
1989 Total	$	215,930,912	908	$ 237,809
1990 Total	$	191,926,970	1,158	$ 165,740
1991 Total	$	204,194,469	1,368	$ 149,265
1992 Total	$	219,658,777	1,617	$ 135,843
1993 Total	$	242,260,395	1,845	$ 131,306
1994 Total	$	259,098,429	1,771	$ 146,301
1995 Total	$	264,744,476	2,193	$ 120,723
1996 Total	$	279,436,143	1,668	$ 167,528
1997 Total	$	292,795,133	1,112	$ 263,305

Year	5641		Children's	Outlets		Average
1984 Total		$	34,805,274	195	$	178,489
1985 Total		$	36,897,693	203	$	181,762
1986 Total		$	35,919,318	174	$	206,433
1987 Total		$	24,330,255	161	$	151,120
1988 Total		$	16,080,802	147	$	109,393
1989 Total		$	21,488,461	178	$	120,722
1990 Total		$	24,446,732	177	$	138,117
1991 Total		$	25,496,921	193	$	132,108
1992 Total		$	25,125,157	230	$	109,240
1993 Total		$	23,605,867	256	$	92,210
1994 Total		$	33,014,764	230	$	143,542
1995 Total		$	50,139,074	234	$	214,270
1996 Total		$	59,171,581	183	$	323,342
1997 Total		$	53,434,888	133	$	401,766
Year	5651		Family Clothing Stores	Outlets		Average
1984 Total		$	326,003,872	606	$	537,960
1985 Total		$	358,586,868	553	$	648,439
1986 Total		$	353,686,362	516	$	685,439
1987 Total		$	359,901,509	551	$	653,179
1988 Total		$	378,813,371	563	$	672,848
1989 Total		$	434,434,999	593	$	732,605
1990 Total		$	483,998,735	685	$	706,567
1991 Total		$	489,892,909	861	$	568,981
1992 Total		$	566,526,533	1,061	$	533,955
1993 Total		$	555,370,535	1,214	$	457,472
1994 Total		$	555,488,708	1,153	$	481,777
1995 Total		$	565,448,260	1,206	$	468,863
1996 Total		$	572,295,765	943	$	606,888
1997 Total		$	613,924,666	712	$	862,254
Year	5661		Shoes Stores	Outlets		Average
1984 Total		$	181,708,250	572	$	317,672
1985 Total		$	181,708,250	567	$	320,473
1986 Total		$	181,772,525	562	$	323,439
1987 Total		$	176,385,291	536	$	329,077
1988 Total		$	183,185,728	496	$	369,326
1989 Total		$	212,484,742	494	$	430,131
1990 Total		$	215,876,326	493	$	437,883
1991 Total		$	234,769,672	464	$	505,969
1992 Total		$	251,868,948	457	$	551,136
1993 Total		$	251,027,228	479	$	524,065
1994 Total		$	251,051,691	477	$	526,314
1995 Total		$	261,173,331	443	$	589,556
1996 Total		$	261,674,596	428	$	611,389
1997 Total		$	267,203,956	428	$	624,308

Year	5699	Furniture Stores	Outlets	Average
1984 Total	$	61,216,166	507	$ 120,682
1985 Total	$	70,787,096	470	$ 150,691
1986 Total	$	79,295,178	475	$ 166,849
1987 Total	$	83,157,747	478	$ 174,152
1988 Total	$	92,150,873	520	$ 177,384
1989 Total	$	100,937,987	640	$ 157,654
1990 Total	$	99,935,237	722	$ 138,367
1991 Total	$	109,368,097	664	$ 164,835
1992 Total	$	125,915,233	758	$ 166,170
1993 Total	$	130,468,895	878	$ 148,556
1994 Total	$	153,888,133	878	$ 175,221
1995 Total	$	194,069,759	1,037	$ 187,100
1996 Total	$	217,468,936	920	$ 236,379
1997 Total	$	214,299,205	723	$ 296,608
Year	5712	Misc. Apparel & Accessory Stores	Outlets	Average
1984 Total	$	463,155,728	1,284	$ 360,713
1985 Total	$	471,389,288	1,206	$ 390,870
1986 Total	$	380,973,202	917	$ 415,456
1987 Total	$	370,697,945	846	$ 438,177
1988 Total	$	420,493,043	844	$ 498,215
1989 Total	$	496,881,276	884	$ 562,083
1990 Total	$	588,672,183	895	$ 657,734
1991 Total	$	532,212,278	942	$ 564,981
1992 Total	$	476,026,190	1,027	$ 463,511
1993 Total	$	573,048,897	1,135	$ 504,889
1994 Total	$	750,469,328	1,135	$ 661,206
1995 Total	$	948,160,835	1,280	$ 740,751
1996 Total	$	982,281,385	1,106	$ 888,139
1997 Total	$	1,151,351,269	995	$ 1,157,137
Year	5713	Floor Covering Stores	Outlets	Average
1984 Total	$	133,249,607	296	$ 450,168
1985 Total	$	117,789,165	268	$ 439,512
1986 Total	$	100,767,125	205	$ 491,547
1987 Total	$	98,104,852	224	$ 437,968
1988 Total	$	121,405,665	213	$ 569,980
1989 Total	$	141,992,406	238	$ 596,607
1990 Total	$	152,819,034	240	$ 636,746
1991 Total	$	182,160,709	240	$ 759,003
1992 Total	$	155,775,967	232	$ 671,448
1993 Total	$	156,332,347	231	$ 676,763
1994 Total	$	159,656,786	236	$ 676,512
1995 Total	$	156,048,815	284	$ 549,468
1996 Total	$	172,129,428	227	$ 758,279
1997 Total	$	192,197,989	188	$ 1,022,330

Year	5713	Drapery, Curtain & Upholstery	Outlets	Average
1984 Total		$ 28,528,595	323	$ 88,324
1985 Total		$ 37,891,621	284	$ 133,421
1986 Total		$ 22,882,477	215	$ 106,430
1987 Total		$ 19,554,797	204	$ 95,857
1988 Total		$ 22,516,420	185	$ 121,710
1989 Total		$ 24,296,571	185	$ 131,333
1990 Total		$ 28,208,044	177	$ 159,367
1991 Total		$ 34,193,699	173	$ 197,651
1992 Total		$ 29,797,937	190	$ 156,831
1993 Total		$ 30,618,986	209	$ 146,502
1994 Total		$ 38,444,002	205	$ 187,532
1995 Total		$ 44,772,403	250	$ 179,090
1996 Total		$ 42,059,997	180	$ 233,667
1997 Total		$ 43,793,803	151	$ 290,025
Year	5719	Miscellaneous Home Furnishing Stores	Outlets	Average
1984 Total		$ 150,159,165	1,150	$ 130,573
1985 Total		$ 141,190,589	1,020	$ 138,422
1986 Total		$ 128,772,950	757	$ 170,110
1987 Total		$ 133,458,734	646	$ 206,592
1988 Total		$ 152,114,721	643	$ 236,570
1989 Total		$ 171,398,610	652	$ 262,881
1990 Total		$ 175,704,400	627	$ 280,230
1991 Total		$ 191,604,326	642	$ 298,449
1992 Total		$ 211,038,357	698	$ 302,347
1993 Total		$ 249,101,041	769	$ 323,929
1994 Total		$ 258,654,725	854	$ 302,874
1995 Total		$ 327,712,090	937	$ 349,746
1996 Total		$ 293,838,327	750	$ 391,784
1997 Total		$ 302,142,294	686	$ 440,441
Year	5722	Household Appliance Stores	Outlets	Average
1984 Total		$ 126,116,407	415	$ 303,895
1985 Total		$ 132,137,454	396	$ 333,680
1986 Total		$ 164,359,298	332	$ 495,058
1987 Total		$ 161,971,953	320	$ 506,162
1988 Total		$ 178,989,603	284	$ 630,245
1989 Total		$ 193,965,364	287	$ 675,838
1990 Total		$ 207,740,620	289	$ 718,826
1991 Total		$ 183,879,254	303	$ 606,862
1992 Total		$ 224,405,566	313	$ 716,951
1993 Total		$ 286,279,265	322	$ 889,066
1994 Total		$ 348,067,942	312	$ 1,115,602
1995 Total		$ 410,746,920	367	$ 1,119,201
1996 Total		$ 491,654,835	289	$ 1,701,228
1997 Total		$ 464,602,703	246	$ 1,888,629

Year	5731	Radio, Television, Consumer Electronics	Outlets	Average
1984 Total	$	154,237,796	556	$ 277,406
1985 Total	$	185,259,335	672	$ 275,684
1986 Total	$	177,266,403	665	$ 266,566
1987 Total	$	165,151,947	714	$ 231,305
1988 Total	$	188,779,298	731	$ 258,248
1989 Total	$	205,233,134	705	$ 291,111
1990 Total	$	218,876,239	711	$ 307,843
1991 Total	$	236,083,444	720	$ 327,894
1992 Total	$	241,709,074	804	$ 300,633
1993 Total	$	320,073,791	1,005	$ 318,481
1994 Total	$	515,618,489	1,045	$ 493,415
1995 Total	$	588,175,607	1,178	$ 499,300
1996 Total	$	717,806,895	914	$ 785,347
1997 Total	$	620,482,211	725	$ 855,838
Year	5734	Computer & Computer Software Stores	Outlets	Average
1984 Total	$	230,447,622	793	$ 290,602
1985 Total	$	493,090,238	871	$ 566,120
1986 Total	$	554,775,745	846	$ 655,763
1987 Total	$	677,628,579	962	$ 704,396
1988 Total	$	875,825,820	942	$ 929,751
1989 Total	$	939,277,412	1,037	$ 905,764
1990 Total	$	974,943,027	1,177	$ 828,329
1991 Total	$	870,739,624	1,334	$ 652,728
1992 Total	$	987,040,028	1,528	$ 645,969
1993 Total	$	1,135,588,262	1,720	$ 660,226
1994 Total	$	1,169,700,611	1,778	$ 657,874
1995 Total	$	1,214,759,721	2,304	$ 527,239
1996 Total	$	1,593,459,917	1,646	$ 968,080
1997 Total	$	2,941,342,413	1,303	$ 2,257,362
Year	5735	Record & Prerecorded Music Stores	Outlets	Average
1984 Total	$	4,170,787	12	$ 347,566
1985 Total	$	10,876,591	13	$ 836,661
1986 Total	$	14,889,788	15	$ 992,653
1987 Total	$	11,048,253	21	$ 526,107
1988 Total	$	11,825,115	52	$ 227,406
1989 Total	$	8,562,412	104	$ 82,331
1990 Total	$	24,009,323	135	$ 177,847
1991 Total	$	27,556,242	183	$ 150,581
1992 Total	$	21,904,630	225	$ 97,354
1993 Total	$	18,099,284	217	$ 83,407
1994 Total	$	20,786,592	235	$ 88,454
1995 Total	$	32,955,679	320	$ 102,986
1996 Total	$	24,489,719	282	$ 86,843
1997 Total	$	26,741,882	217	$ 123,234

Year	5736	Musical Instrument Stores	Outlets	Average
1984 Total	$	86,850,509	349	$ 248,855
1985 Total	$	90,127,329	337	$ 267,440
1986 Total	$	87,827,814	328	$ 267,768
1987 Total	$	92,223,244	306	$ 301,383
1988 Total	$	98,536,404	279	$ 353,177
1989 Total	$	100,094,377	280	$ 357,480
1990 Total	$	107,364,623	242	$ 443,655
1991 Total	$	111,995,864	245	$ 457,126
1992 Total	$	116,774,606	244	$ 478,584
1993 Total	$	118,759,481	232	$ 511,894
1994 Total	$	122,867,642	211	$ 582,311
1995 Total	$	125,913,132	221	$ 569,743
1996 Total	$	129,090,169	178	$ 725,226
1997 Total	$	137,209,807	171	$ 802,397
Year	5941	Sporting Goods Stores & Biclycle Shops	Outlets	Average
1984 Total	$	168,329,878	1,111	$ 151,512
1985 Total	$	174,774,751	1,101	$ 158,742
1986 Total	$	166,966,030	989	$ 168,823
1987 Total	$	175,159,289	967	$ 181,137
1988 Total	$	200,984,865	941	$ 213,586
1989 Total	$	245,482,397	1,087	$ 225,835
1990 Total	$	270,376,835	1,213	$ 222,899
1991 Total	$	282,292,095	1,253	$ 225,293
1992 Total	$	302,572,708	1,393	$ 217,209
1993 Total	$	335,757,141	1,588	$ 211,434
1994 Total	$	378,243,072	1,486	$ 254,538
1995 Total	$	384,255,905	1,582	$ 242,892
1996 Total	$	370,204,665	1,204	$ 307,479
1997 Total	$	367,441,620	932	$ 394,251
Year	5942	Book Stores	Outlets	Average
1984 Total	$	82,146,650	590	$ 139,232
1985 Total	$	100,110,816	634	$ 157,903
1986 Total	$	109,419,496	599	$ 182,670
1987 Total	$	104,926,178	634	$ 165,499
1988 Total	$	121,870,752	671	$ 181,626
1989 Total	$	135,301,159	737	$ 183,584
1990 Total	$	151,648,245	779	$ 194,670
1991 Total	$	166,079,975	833	$ 199,376
1992 Total	$	177,809,981	924	$ 192,435
1993 Total	$	189,919,321	1,068	$ 177,827
1994 Total	$	223,104,462	1,136	$ 196,395
1995 Total	$	204,721,247	1,396	$ 146,648
1996 Total	$	223,855,868	1,127	$ 198,630
1997 Total	$	673,773,070	886	$ 760,466

Year	5942		Stationery Stores	Outlets		Average
1984 Total		$	284,341,156	657	$	432,787
1985 Total		$	299,096,154	668	$	447,749
1986 Total		$	268,275,872	683	$	392,790
1987 Total		$	295,432,405	756	$	390,784
1988 Total		$	329,520,179	733	$	449,550
1989 Total		$	334,232,968	737	$	453,505
1990 Total		$	333,222,149	669	$	498,090
1991 Total		$	385,617,018	626	$	616,002
1992 Total		$	473,357,965	600	$	788,930
1993 Total		$	489,217,002	656	$	745,758
1994 Total		$	382,276,073	627	$	609,691
1995 Total		$	438,568,965	750	$	584,759
1996 Total		$	495,406,637	572	$	866,096
1997 Total		$	526,916,339	478	$	1,102,335
Year	5944		Jewelry Stores	Outlets		Average
1984 Total		$	301,840,870	1,385	$	217,936
1985 Total		$	288,836,152	1,522	$	189,774
1986 Total		$	268,026,483	1,525	$	175,755
1987 Total		$	260,456,548	1,584	$	164,430
1988 Total		$	236,405,480	1,513	$	156,249
1989 Total		$	237,908,559	1,738	$	136,886
1990 Total		$	289,545,537	1,781	$	162,575
1991 Total		$	295,980,005	1,810	$	163,525
1992 Total		$	270,983,494	1,759	$	154,055
1993 Total		$	266,918,256	1,899	$	140,557
1994 Total		$	334,756,569	1,779	$	188,171
1995 Total		$	346,273,867	1,996	$	173,484
1996 Total		$	367,809,981	1,582	$	232,497
1997 Total		$	381,579,508	1,188	$	321,195
Year	5945		Hobby, Toy, and Game shops	Outlets		Average
1984 Total		$	91,159,054	805	$	113,241
1985 Total		$	99,908,448	763	$	130,942
1986 Total		$	105,192,278	809	$	130,028
1987 Total		$	127,575,358	989	$	128,994
1988 Total		$	160,084,025	1,246	$	128,478
1989 Total		$	167,856,442	1,622	$	103,487
1990 Total		$	173,997,007	1,992	$	87,348
1991 Total		$	187,268,301	2,312	$	80,998
1992 Total		$	185,912,662	2,466	$	75,390
1993 Total		$	191,673,109	2,865	$	66,902
1994 Total		$	191,912,458	2,753	$	69,710
1995 Total		$	208,069,120	3,588	$	57,990
1996 Total		$	268,064,931	2,215	$	121,023
1997 Total		$	269,695,319	1,517	$	177,782

Year	5946	Camera & Photographic Supply Stores	Outlets	Average
1984 Total	$	67,791,413	150	$ 451,943
1985 Total	$	68,249,532	149	$ 458,051
1986 Total	$	63,890,461	140	$ 456,360
1987 Total	$	63,352,290	125	$ 506,818
1988 Total	$	60,945,396	86	$ 708,667
1989 Total	$	66,421,589	72	$ 922,522
1990 Total	$	65,315,608	71	$ 919,938
1991 Total	$	61,988,301	63	$ 983,941
1992 Total	$	57,095,249	64	$ 892,113
1993 Total	$	51,870,418	64	$ 810,475
1994 Total	$	48,506,502	52	$ 932,817
1995 Total	$	44,904,323	67	$ 670,214
1996 Total	$	48,258,858	63	$ 766,014
1997 Total	$	30,877,666	54	$ 571,809
Year	5947	Gift, Novelty, and Souvenir	Outlets	Average
1984 Total	$	129,171,576	3,180	$ 40,620
1985 Total	$	128,880,471	3,205	$ 40,212
1986 Total	$	133,831,156	2,949	$ 45,382
1987 Total	$	130,565,754	3,099	$ 42,132
1988 Total	$	144,138,266	2,817	$ 51,167
1989 Total	$	166,975,769	3,128	$ 53,381
1990 Total	$	209,639,615	3,272	$ 64,071
1991 Total	$	242,566,243	3,568	$ 67,984
1992 Total	$	250,712,248	4,214	$ 59,495
1993 Total	$	287,549,742	4,905	$ 58,624
1994 Total	$	295,736,218	4,680	$ 63,191
1995 Total	$	313,474,231	5,676	$ 55,228
1996 Total	$	355,120,821	4,076	$ 87,125
1997 Total	$	392,795,835	3,096	$ 126,872

Year	General Purpose Office Space in Square Feet Katy Freeway Market Area
1967	17,150
1968	218,773
1969	82,367
1970	0
1971	32,828
1972	227,663
1973	71,222
1974	181,003
1975	223,199
1976	210,136
1977	326,176
1978	303,556
1979	752,776
1980	816,129
1981	2,575,677
1982	2,720,300
1983	2,900,679
1984	1,333,898
1985	742,069
1986	524,417
1987	111,532
1988	0
1989	0
1990	0
1991	80,433
1992	707,343
1993	0
1994	0
1995	0
1996	0
1997	0
1998	0

State of Texas							
Year		Hotel	% Change	Outlets	% Change	Average	% Change
1984 Total		$ 539,180,683		1169		$ 461,232	
1985 Total		$ 580,209,237	7.61%	1294	10.69%	$ 448,384	-2.79%
1986 Total		$ 575,755,043	-0.77%	1339	3.48%	$ 429,989	-4.10%
1987 Total		$ 591,723,574	2.77%	1237	-7.62%	$ 478,354	11.25%
1988 Total		$ 595,901,580	0.71%	1255	1.46%	$ 474,822	-0.74%
1989 Total		$ 647,509,745	8.66%	1297	3.35%	$ 499,237	5.14%
1990 Total		$ 698,932,888	7.94%	1318	1.62%	$ 530,298	6.22%
1991 Total		$ 729,500,109	4.37%	1320	0.15%	$ 552,652	4.22%
1992 Total		$ 715,715,682	-1.89%	1342	1.67%	$ 533,320	-3.50%
1993 Total		$ 738,285,552	3.15%	1399	4.25%	$ 527,724	-1.05%
1994 Total		$ 780,711,372	5.75%	1432	2.36%	$ 545,190	3.31%
1995 Total		$ 817,004,449	4.65%	1610	12.43%	$ 507,456	-6.92%
1996 Total		$ 854,849,078	4.63%	1673	3.91%	$ 510,968	0.69%
1997 Total		$ 937,098,256	9.62%	1698	1.49%	$ 551,884	8.01%
Harris County, Texas							
Year		Hotel	% Change	Outlets	% Change	Average	% Change
1984 Total		$ 148,255,166		139		$ 1,066,584	
1985 Total		$ 165,926,630	11.92%	154	10.79%	$ 1,077,446	1.02%
1986 Total		$ 144,352,793	-13.00%	145	-5.84%	$ 995,537	-7.60%
1987 Total		$ 160,230,198	11.00%	142	-2.07%	$ 1,128,382	13.34%
1988 Total		$ 148,031,823	-7.61%	146	2.82%	$ 1,013,917	-10.14%
1989 Total		$ 169,084,280	14.22%	147	0.68%	$ 1,150,233	13.44%
1990 Total		$ 200,776,464	18.74%	145	-1.36%	$ 1,384,665	20.38%
1991 Total		$ 210,030,614	4.61%	141	-2.76%	$ 1,489,579	7.58%
1992 Total		$ 189,750,443	-9.66%	147	4.26%	$ 1,290,819	-13.34%
1993 Total		$ 178,812,063	-5.76%	141	-4.08%	$ 1,268,171	-1.75%
1994 Total		$ 180,285,008	0.82%	142	0.71%	$ 1,269,613	0.11%
1995 Total		$ 193,371,031	7.26%	158	11.27%	$ 1,223,867	-3.60%
1996 Total		$ 201,723,711	4.32%	173	9.49%	$ 1,166,033	-4.73%
1997 Total		$ 209,609,763	3.91%	197	13.87%	$ 1,064,009	-8.75%

III. Walter P. Moore Transportation / Mobility Status

WALTER P MOORE

Transportation / Mobility Status
Memorial City TIRZ

Regional Mobility Plan

The creation of the Memorial City TIRZ provides the opportunity for area property owners and associations to work with the City of Houston, METRO, HCTRA, and TxDOT in the development of a coordinated Regional Mobility Plan. This activity has been started by area property owners and associations, however, the TIRZ would provide the missing part required to integrate the local planning activities into a true Regional Mobility Plan. Transportation improvements are nearing the critical stage for many area roadways. Interstate 10 is currently carrying more than 207,000 vpd (vehicles per day) as compared to its original design capacity of 79,200 vpd. More than 22,000 of these vehicles are trucks which add to the congestion. Congestion on Interstate 10 occurs for more than 10 hours each day in both directions. Similar congestion levels exist on Gessner Road on weekdays and on weekends with more than 45,000 vpd squeezed into six through lanes near Interstate 10. These issues can only be resolved through proper long range planning and the development of a Regional Mobility Plan in conjunction with area governing agencies. After creation of the TIRZ, such a plan would be prepared. A five year Capital Improvement Plan (CIP) could be the heart of the plan enabling coordination with area governing agencies, neighborhoods and business associations.

Reduce Cut Through Traffic

Significant improvements can be made in the reduction of neighborhood cut through traffic if more direct alternate routes can be created by the extension of roadways, roadway widenings, and the development of new roadways. Heavy congestion on area major thoroughfares, combined with a residential street pattern that did not include through collector streets, has led to cut through traffic volumes that have resulted in requests from area neighborhoods to install traffic calming measures. The development of alternate routes will greatly reduce the amount of cut through traffic currently experienced by these neighborhoods.

Transit Use

Transit ridership in the Memorial City area is low compared to other major activity centers located inside the Sam Houston Tollway loop. As congestion builds on area freeways and development becomes more dense, the opportunity for increased transit ridership will grow. Through coordination with METRO and TxDOT on long range transit plans, improved transit access can be realized for the Memorial City area. These improvements could include development of an area Transit Center or Park and Ride Lot combined with improved pedestrian facilities.

Existing Roadway Network Deficiencies

The Memorial City area business development started out as a semi-rural mixed-use development serving rural neighborhoods which generally surround it on all sides except the northwest corner. While the commercial development continued, corresponding improvements to the roadway infrastructure did not occur. The surrounding neighborhoods were developed with roadway networks designed to restrict through traffic. Many roadways in the area are not continuous or do not contain sufficient numbers of lanes to handle existing traffic volumes or projected volumes from future development.

The neighborhoods on the south side of Interstate 10 were developed with street patterns that are aimed primarily at serving local traffic with little consideration for through traffic. There are no continuous east/west collector streets between Memorial Drive and Interstate 10. Similarly on the north side of Interstate 10 there are not continuous east/west collector streets between Hammerly Boulevard and Interstate 10. This lack of east/west collector streets results in the concentration of east/west vehicles on the Interstate 10 service roads and north/south vehicles on Gessner Road. This concentration of vehicles is exacerbated by the lack of sufficient north/south major thoroughfare capacity. East of Gessner, the first roadway with a major thoroughfare cross section is Voss/Bingle. This roadway is approximately 2.5 miles east of Gessner. Two north/south major roadways exist between Gessner and Voss/Bingle, however, they pass through the villages of Bunker Hill and Hedwig Village and are not currently or planned to be developed as more than local collector streets by the local governments. The lack of east/west collector streets concentrates the north/south trips on the area's central major thoroughfare, Gessner Road, and the east/west trips on the Interstate 10 service roads. Recent 24-hour traffic counts show volumes on Gessner to be 45,000 vehicles per day while volumes on the Interstate 10 service roads are approximately 55,000 vehicles per day. These volumes equate to levels of service D, E, and F for various sections of Gessner and the Interstate 10 service roadways. At these levels of service, traffic flow is restricted and delays are experienced by motorists. There are virtually no gaps in the traffic to allow vehicles to enter from adjacent roadways or developments. The roadways are at capacity and any minor incident will cause breakdowns in vehicular flow and significant delays. Note that these are the existing conditions which, if not improved, will significantly limit any future development which will increase traffic volumes.

The lack of sufficient east/west continuous major thoroughfares is very similar to the north/south situation. Memorial Drive on the south side of the Memorial City area also passes through the villages where it meanders through the neighborhoods. Although this major thoroughfare is continuous it does have 45 and 90-degree turns which result in north/south offsets of as much as one mile over an east/west distance of as little as one mile.

Since much of the area was rural when development first began, many of the collector streets north of Interstate 10 were developed as two-lane open ditch roadways. Many of these roadways remain in that condition today. These roadways do not have adequate capacity to provide access for new adjacent development. They must be widened to improve intersection capacity and to allow free flow around turning movements at site access points.

In summary, the Memorial City area transportation system suffers the following deficiencies:

Lack of sufficient east/west thoroughfares.

Lack of sufficient capacity north/south thoroughfares.

Old two-lane open ditch roadways north of Interstate 10 which limit future development and intersection turn-lane improvements.

Inadequate intersection capacity at major thoroughfare intersections.

Utility Infrastructure
Memorial City TIRZ

In order for development to continue in the Memorial City area adequate public utility systems must be provided. As this area was originally developed as a rural residential and retail community, utility systems were not developed for the high density development that has occurred over the last 20 years. The water, wastewater, local drainage, and solid waste services for Memorial City area are provided by City of Houston. The water system is tied to the City of Houston's surface water transmission system. The Beltway Wastewater Treatment Plant, located north of Buffalo Bayou on the west side of the Sam Houston Tollway, serves the wastewater needs for the area. The area drainage flows southward to Buffalo Bayou. Private utilities are provided by regional providers including HL&P for electricity, Entex for natural gas, Southwestern Bell Telephone for local phone service and various other providers for communications services such as data lines, long distance telephone, and cable television.

Existing utility systems are in place to serve the existing needs; however, much of that system is aging and is, or will be, in need of repair or replacement. In order to provide for new growth, it will be necessary to provide adequate reliable services. This is especially true on the north side of I-10 where the growth potential is the greatest and the existing infrastructure has the least capacity. The projected potential growth of the area will require substantial investment in new utility lines, especially along new street extensions such as Shadowdale and Clarey Lane. Drainage improvements will also be required for the area north of the freeway to remedy the poor drainage conditions and meet the needs of the higher use development.

Drainage

None of the Memorial City area is shown to be within the 100 year flood plain per the FIRM maps for Harris County and Incorporated Areas , panel number 645. Most of the area north of the freeway is drained via roadside ditches and storm sewers to three large 6' x 10' box culverts beneath I-10. The box culverts drain to Rummel Creek, a tributary to Buffalo Bayou. Drainage north of I-10 is poor. Detention is required by the City of Houston for new development in the area due to the insufficient storm sewer capacity. A regional detention pond is planned as a private initiative that will help drainage in the area. The makeup of the necessary storm water improvements will depend largely on the configuration of the new development. The extension of Shadowdale between I-10 and Westview will replace an existing ditch with two 7' x 8'box culverts per the Comprehensive Study for Upper Buffalo Bayou. A new 84" storm sewer is required at Conrad Sauer between Westview and I-10. The improvements to Westview will also include storm sewer improvements to serve the road and adjacent properties. The extension of Clarey Lane will also include storm lines to serve the road and adjacent properties. Other local storm sewer systems are needed for development , but are considered to be development costs and not part of the master plan.

Northside Water and Wastewater

The projected growth will require new city utilities. The development of the undeveloped areas that will become I-10 frontage on the north side of the freeway with the proposed Katy Freeway Improvements will need new water and wastewater sewers to provide service. A new 12" waterline is anticipated to serve the areas fronting Shadowdale between I-10 and Westview. A 12" wastewater line is also anticipated in Shadowdale. The 8" waterline along Old Katy Road between Gessner and Bunker Hill will need to be replaced with a new 12" line to meet the development requirements along the north side of the freeway. New 12" water and wastewater lines will be required in the extension of Clarey Lane. New 12" water and wastewater lines are also required in Conrad Sauer and Bunkerhill north of the freeway to Westview.

Southside Water and Wastewater

On the south side of Interstate 10, the extension of Gaylord will provide a new 8" waterline and a 10" wastewater line. A 20" line is required along Barryknoll / Kingsride to complete the 20" loop between the 20" line in Bunkerhill and the 20" line in Benignus. A new 15" sewer is required in Frostwood to meet the needs of Memorial City Hospital. There are other improvements shown on the city capital improvements program including rehabilitating the 54" sewer in Gessner north of Kingsride and the 21" sewer in Gessner and Barryknoll between Kingsride and Plantation.

IV. Walter P. Moore Construction Cost Estimates

Cost Summary
Infrastructure Improvement
Memorial City TIRZ

	Construction	Survey/Engineer/Construction Ph.	Total Project Cost
Water	$2,358,000	$471,600	$2,829,600
Wastewater	$2,131,500	$426,300	$2,557,800
Drainage	$22,281,500	$4,456,300	$26,737,800
Subtotal Utilities	$26,771,000	$5,354,200	$32,125,200
Road Widening/Reconstruction	$14,081,000	$2,816,200	$16,897,200
New Roadways	$18,996,500	$3,799,300	$22,795,800
Transportation System Management	$2,000,000	$400,000	$2,400,000
Miscellaneous Roadway Reconstruction	$3,113,901	$622,780	$3,736,681
Subtotal Roadways	$38,191,401	$7,638,280	$45,829,681
Traffic Signal Improvements	$1,750,000	$350,000	$2,100,000
NTP, Noise/Safety Walls, Engineering Study	$4,583,333	$916,667	$5,500,000
Park Improvements & Landscaping	$9,907,599	$1,981,520	$11,889,119
Subtotal Construction	$81,203,333	$16,240,667	$97,444,000
TIRZ Creation - Professional			$100,000
TIRZ Creation - Legal			$100,000
TIRZ - Administration			$356,000
Total			**$98,000,000**

Proposed Improvements

	Location	Estimated Cost	Engineering and Surveying	Construction Cost ($000)
Road and Street Improvements				
Bunkerhill	I-10 to North TIRZ Boundary	$1,618,800	$269,800	$1,349,000
Kingsride	Frostwood to Gessner	$372,000	$62,000	$310,000
Gessner Road	Barryknoll to North TIRZ Boundary	$6,811,200	$1,135,200	$5,676,000
Witte	Interstate 10 to North TIRZ Boundary	$1,440,000	$240,000	$1,200,000
Frostwood	Kingsride to Interstate 10	$1,774,800	$295,800	$1,479,000
Conrad Sauer	Interstate 10 to North TIRZ Boundary	$1,098,000	$183,000	$915,000
Wisterwood	Interstate 10 to North TIRZ Boundary	$1,098,000	$183,000	$915,000
West Bough	Memorial to Kimberly	$810,000	$135,000	$675,000
Lumpkin	I-10 to North TIRZ Boundary	$1,874,400	$312,400	$1,562,000
Town & Country Way	Town & Country to Beltway 8	$547,800	$91,300	$456,500
Clarey Lane	Beltway 8 to Bunkerhill	$14,584,800	$2,430,800	$12,154,000
Town & Country Way	Attingham to Gessner	$3,831,600	$638,600	$3,193,000
Barryknoll	Plantation to Gessner	$1,112,400	$185,400	$927,000
Shadowdale	Westview to Interstate 10	$2,719,200	$453,200	$2,266,000
Various	TSM - CCTV Incident Mngmt & Traffic Control	$2,400,000	$400,000	$2,000,000
Misc. Road Reconstruction	Various Roadways	$3,736,681	$622,780	$3,113,901
Infrastructure Improvements				
Water Projects	Various	$2,829,600	$471,600	$2,358,000
Sewer Projects	Various	$2,557,800	$426,300	$2,131,500
Drainage Projects	Various	$26,737,800	$4,456,300	$22,281,500
Traffic Signal Improvements		$2,100,000	$350,000	$1,750,000
NTP, Noise/Safety Walls, Engineering Study		$5,500,000	$916,667	$4,583,333
Park Improvements & Landscaping		$11,889,119	$1,981,520	$9,907,599
	Total	**$97,444,000**	**$16,240,667**	**$81,203,333**

Water Projects

Cost Summary

Infrastructure Improvement

Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Town & Country Way	Town & Country to Beltway 8	In	In	$33,000
Clarey Lane	Beltway 8 to Bunkerhill	In	In	$506,000
Bunkerhill	I-10 to North TIRZ Boundary	In	In	$114,000
Town & Country Way	Attingham to Gessner	In	In	$136,000
Barryknoll	Plantation to Gessner	In	In	$135,000
Barryknoll	Plantation to Memorial City Way	In	In	$300,000
Kingsride	Gessner to Frostwood	In	In	$150,000
Gessner Road	Barryknoll to North TIRZ Boundary	In	In	$258,000
Witte	Interstate 10 to North TIRZ Boundary	In	In	$90,000
Frostwood	Kingsride to Interstate 10	In	In	$102,000
Shadowdale	Westview to Interstate 10	In	In	$132,000
Conrad Sauer	Interstate 10 to North TIRZ Boundary	In	In	$90,000
Wisterwood	Interstate 10 to North TIRZ Boundary	In	In	$90,000
West Bough	Memorial to Kimberly	In	In	$90,000
Lumpkin	I-10 to North TIRZ Boundary	In	In	$132,000
				$2,358,000

Wastewater Projects

Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Town & Country Way	Town & Country to Beltway 8	In	In	$38,500
Clarey Lane	Beltway 8 to Bunkerhill	In	In	$597,000
Bunkerhill	I-10 to North TIRZ Boundary	In	In	$133,000
Town & Country Way	Attingham to Gessner	In	In	$152,000
Barryknoll	Plantation to Gessner	In	In	$63,000
Gessner Road	Barryknoll to North TIRZ Boundary	In	In	$301,000
Witte	Interstate 10 to North TIRZ Boundary	In	In	$105,000
Frostwood	Kingsride to Interstate 10	In	In	$119,000
Shadowdale	Westview to Interstate 10	In	In	$154,000
Conrad Sauer	Interstate 10 to North TIRZ Boundary	In	In	$105,000
Wisterwood	Interstate 10 to North TIRZ Boundary	In	In	$105,000
West Bough	Memorial to Kimberly	In	In	$105,000
Lumpkin	I-10 to North TIRZ Boundary	In	In	$154,000
				$2,131,500

Roadway Widening/Reconstruct Projects

Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Bunkerhill	I-10 to North TIRZ Boundary	In	In	$1,045,000
Bunkerhill R-O-W	I-10 to North TIRZ Boundary	In	In	$304,000
Kingsride	Frostwood to Gessner	In	In	$150,000
Kingsride R-O-W	Frostwood to Gessner	In	In	$160,000
Gessner Road	Barryknoll to North TIRZ Boundary	In	In	$4,300,000
Gessner Road R-O-W	Barryknoll to North TIRZ Boundary	In	In	$1,376,000
Witte	Interstate 10 to North TIRZ Boundary	In	In	$675,000
Witte R-O-W	Interstate 10 to North TIRZ Boundary	In	In	$525,000
Frostwood	Kingsride to Interstate 10	In	In	$935,000
Frostwood R-O-W	Kingsride to Interstate 10	In	In	$544,000
Conrad Sauer	Interstate 10 to North TIRZ Boundary	In	In	$675,000
Conrad Sauer R-O-W	Interstate 10 to North TIRZ Boundary	In	In	$240,000
Wisterwood	Interstate 10 to North TIRZ Boundary	In	In	$675,000
Wisterwood R-O-W	Interstate 10 to North TIRZ Boundary	In	In	$240,000
West Bough	Memorial to Kimberly	In	In	$675,000
Lumpkin	I-10 to North TIRZ Boundary	In	In	$1,210,000
Lumpkin R-O-W	I-10 to North TIRZ Boundary	In	In	$352,000
				$14,081,000

New Roadway Projects

Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Town & Country Way	Town & Country to Beltway 8	In	In	$192,500
own & Country Way R-O-	Town & Country to Beltway 8	In	In	$264,000
Clarey Lane R-O-W	Beltway 8 to Bunkerhill	In	In	$5,664,000
Clarey Lane	Beltway 8 to Bunkerhill	In	In	$6,490,000
Town & Country Way	Attingham to Gessner	In	In	$1,705,000
Town & Country Way R-O-W	Attingham to Gessner	In	In	$1,488,000
Barryknoll	Plantation to Gessner	In	In	$495,000
Barryknoll R-O-W	Plantation to Gessner	In	In	$432,000
Shadowdale	Westview to Interstate 10	In	In	$1,210,000
Shadowdale R-O-W	Westview to Interstate 11	In	In	$1,056,000
				$18,996,500

Drainage

Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Town & Country Way	Town & Country to Beltway 8	In	In	$71,500
Clarey Lane	Beltway 8 to Bunkerhill	In	In	$1,034,000
Bunkerhill	I-10 to North TIRZ Boundary	In	In	$247,000
Town & Country Way	Attingham to Gessner	In	In	$245,000
Barryknoll	Plantation to Gessner	In	In	$117,000
Kingsride	Frostwood to Gessner	In	In	$75,000
Gessner Road	Barryknoll to North TIRZ Boundary	In	In	$258,000
Witte	Interstate 10 to North TIRZ Boundary	In	In	$195,000
Frostwood	Kingsride to Interstate 10	In	In	$102,000
Shadowdale	Westview to Interstate 10	In	In	$286,000
Conrad Sauer	Interstate 10 to North TIRZ Boundary	In	In	$375,000
Wisterwood	Interstate 10 to North TIRZ Boundary	In	In	$195,000
West Bough	Memorial to Kimberly	In	In	$195,000
Lumpkin	I-10 to North TIRZ Boundary	In	In	$286,000
Drainage/Detention	Various	In	In	$18,600,000
				$22,281,500

Traffic Signal Improvements
Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Miscellaneous	In TIRZ for Roadway Projects	In	In	$1,000,000
Gessner	Barryknoll to North Limit of TIRZ	In	In	$750,000
				$1,750,000

Transportation System Management
Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Miscellaneous	CCTV Incident Mngmt & Traffic Control	In	In	$2,000,000
				$2,000,000

Miscellaneous Roadway Reconstruction

Cost Summary
Infrastructure Improvement
Memorial City TIRZ

Street	Location	In/Out TIRZ	Meeting Comment	Construction Cost ($000)
Various	Various	In	In	$3,113,901
				$3,113,901

V. Development Projections

METRO NATIONAL
PROJECTED DEVELOPMENT TAKEDOWN (SBISD 50/50 SPLIT)

cription-Sq Ft	Base Year 1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004	Year 6 2005	Year 7 2006	Year 8 2007	Year 9 2008	Year 10 2000	Year 11 2010	Year 12 2011	Year 13 2012	Year 14 2013	Year 15 2014
norial Mall	0	0	0	0	518,000	0	0	0	0	0	0	0	0	0	0	0
ce Space	0	0	0	300,000	0	300,000	0	300,000	0	300,000	0	300,000	0	300,000	0	300,000
ail	0	0	0	0	0	200,000	100,000	60,000	50,000	60,000	50,000	50,000	50,000	50,000	50,000	50,000
ail Pads	0	0	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
mann Hospital	0	0	0	0	0	300,000										
essional Office	0	0	0	0	600,000	20,000	0	20,000	0	20,000	0	20,000	0	20,000	0	20,000
el Units	0	0	0	210,000	0	0	0	210,000	0	0	0	0	210,000	0	0	0
idential Units	0	0	0	160,000	0	160,000	0	160,000	0	160,000	0	160,000	0	160,000	0	160,000
ual Total Sq Ft	0	0	24,000	694,000	1,042,000	1,004,000	124,000	764,000	74,000	554,000	74,000	554,000	284,000	554,000	74,000	554,000
nulative Total Sq Ft	0	0	24,000	718,000	1,760,000	2,764,000	2,888,000	3,652,000	3,726,000	4,280,000	4,354,000	4,908,000	5,192,000	5,746,000	5,820,000	6,374,000
			24,000	324,000	1,042,000	844,000	124,000	394,000	74,000	394,000	74,000	394,000	74,000	304,000	74,000	394,000

cription-Sq Ft	Base Year 1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004	Year 6 2005	Year 7 2006	Year 8 2007	Year 9 2008	Year 10 2009	Year 11 2010	Year 12 2011	Year 13 2012	Year 14 2013	Year 15 2014
e Year Value (1)	445,304,670	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
norial Mall	0	0	0	0	41,440,000	0	0	0	0	0	0	0	0	0	0	0
ce Space	0	0	0	31,500,000	0	31,500,000	0	31,500,000	0	31,500,000	0	31,500,000	0	31,500,000	0	31,500,000
ail	0	0	0	0	0	16,000,000	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
ail Pads	0	0	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
mann Hospital	0	0	0	0	0	51,000,000	0	0	0	0	0	0	0	0	0	0
essional Office	0	0	0	-	62,500,000	2,500,000	-	2,500,000	-	2,500,000	-	2,500,000	-	2,500,000	-	2,500,000
el Units	0	0	0	21,907,500	0	0	0	21,907,500	0	0	0	0	21,007,500	0	0	0
idential Units	0	0	0	9,974,880	0	9,974,880	0	9,974,880	0	9,974,880	0	9,974,880	0	9,074,880	0	9,074,880
ual Total Value (2)	445,304,670	0	3,120,000	66,592,380	107,060,000	114,094,880	11,120,000	73,092,380	7,120,000	51,094,880	7,120,000	51,094,880	29,117,500	51,094,880	7,120,000	51,094,880
nulative Total Value	445,304,670	445,304,670	448,424,670	515,017,050	622,077,050	736,171,930	747,291,930	820,384,310	827,504,310	878,599,190	885,719,190	936,814,070	965,931,570	1,017,026,450	1,024,146,450	1,075,241,330

cription	Building (3) $/Sq Ft	Additional Square Feet	
fice Space	$ 105.000	4,350,000	
morial Mall Retail	$ 80.000	518,000	
tail Space	$ 80.000	982,000	
tail - Offsite	$ 130.000	600,000	
rmann Hospital (4)	$ 170.000	300,000	
ofessional Office	$ 125.000	710,000	
tels (5)	$ 104.750	630,000	Approx 900 Units
sidential (6)	$ 62.343	2,400,000	Approx 3000 Units

Assumes base year value calculated on 1998 tax roll values. Revised 5/5/99.
Projected development shown as taxable value in the year following construction for tax roll assessed value purposes.
Does not include increases in land values; does include construction and development costs.
Hermann Hospital and 300,000 sq ft of the Professional Office could be declared tax exempt.
Total Hotel Units of 900 - assumes 300 units in a development year for a total of three hotels.
Total Rental Apartment Residential Units of 3000 - assumes 200 units in a development year. Includes senior housing.

METRO NATIONAL
PROJECTED DEVELOPMENT TAKEDOWN

cription-Sq Ft	Year 16 2015	Year 17 2016	Year 18 2017	Year 19 2018	Year 20 2019	Year 21 2020	Year 22 2021	Year 23 2022
orial Mall	0	0	0	0	0	0	0	0
e Space	0	300,000	0	300,000	0	300,000	0	300,000
il	50,000	50,000	50,000	50,000	32,000	0	0	0
il Pads	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
nann Hospital	0	0	0	0	0	0	0	0
essional Office	0	20,000	0	20,000	0	20,000	0	20,000
l Units	0	0	0	0	0	0	0	0
idential Units	0	160,000	0	160,000	0	160,000	0	160,000
ual Total Sq Ft	74,000	554,000	74,000	554,000	56,000	504,000	24,000	504,000
ulative Total Sq Ft	6,446,000	7,002,000	7,076,000	7,630,000	7,686,000	8,190,000	8,214,000	8,718,000
	74,000	394,000	74,000	394,000	56,000	344,000	24,000	344,000

cription-Sq Ft	Year 24 2023	Year 25 2024	Year 26 2025	Year 27 2026	Year 28 2027	Year 29 2028	Year 30 2029	Year 31 2030
orial Mall	0	0	0	0	0	0	0	0
e Space	0	300,000	0	300,000	0	300,000	0	150,000
il	0	0	0	0	0	0	0	0
il Pads	24,000	24,000	24,000	0	0	0	0	0
nann Hospital	0	0	0	0	0	0	0	0
essional Office	0	10,000	0	0	0	0	0	0
l Units	0	0	0	0	0	0	0	0
idential Units	0	160,000	0	160,000	0	160,000	0	160,000
ual Total Sq Ft	24,000	494,000	24,000	460,000	0	460,000	0	310,000
ulative Total Sq Ft	8,742,000	9,236,000	9,260,000	9,720,000	9,720,000	10,180,000	10,180,000	10,490,000
	24,000	334,000	24,000	300,000	-	300,000	-	150,000

cription - Value	Year 16 2015	Year 17 2016	Year 18 2017	Year 19 2018	Year 20 2019	Year 21 2020	Year 22 2021	Year 23 2022
e Year Value	0	0	0	0	0	0	0	0
norial Mall	0	0	0	0	0	0	0	0
ce Space	0	31,500,000	0	31,500,000	0	31,500,000	0	31,500,000
ail	4,000,000	4,000,000	4,000,000	4,000,000	2,560,000	0	0	0
ail Pads	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
mann Hospital	0	0	0	0	0	0	0	0
fessional Office	-	2,500,000	-	2,500,000	-	2,500,000	-	2,500,000
el Units	0	0	0	0	0	0	0	0
sidential Units	0	9,974,880	0	9,974,880	0	9,974,880	0	9,974,880
ual Total Value (2)	7,120,000	51,094,880	7,120,000	51,094,880	5,680,000	47,094,880	3,120,000	47,094,880
nulative Total Valu	1,082,381,330	1,133,456,210	1,140,576,210	1,191,671,090	1,197,351,090	1,244,445,970	1,247,565,970	1,294,660,850

cription - Value	Year 24 2023	Year 25 2024	Year 26 2025	Year 27 2026	Year 28 2027	Year 29 2028	Year 30 2029	Year 31 2030
e Year Value	0	0	0	0	0	0	0	0
norial Mall	0	0	0	0	0	0	0	0
ce Space	0	31,500,000	0	31,500,000	0	31,500,000	0	15,750,000
ail	0	0	0	0	0	0	0	0
ail Pads	3,120,000	3,120,000	3,120,000	0	0	0	0	0
mann Hospital	0	0	0	0	0	0	0	0
fessional Office	-	1,250,000	0	0	0	0	0	0
el Units	0	0	0	0	0	0	0	0
sidential Units	0	9,974,880	0	9,974,880	0	9,974,880	0	9,974,880
ual Total Value (2)	3,120,000	45,844,880	3,120,000	41,474,880	0	41,474,880	-	25,724,880
nulative Total Valu	1,297,780,850	1,343,625,730	1,346,745,730	1,388,220,610	1,388,220,610	1,429,695,490	1,429,695,490	1,455,420,370

scription		Building (3) $/Sq Ft	Additonal Square Feet	
ffice Space	$	105.000	4,350,000	
emorial Mall Retail	$	80.000	518,000	
etail Space	$	80.000	982,000	
etail - Offsite	$	130.000	600,000	
ermann Hospital (4)	$	170.000	300,000	
rofessional Office	$	125.000	710,000	
otels (5)	$	104.750	630,000	Approx 900 Units
esidential (6)	$	62.343	2,400,000	Approx 3000 Units

Assumes base year value calculated on 1998 tax roll values. Revised 5/5/99.
Projected development shown as taxable value in the year following construction for tax roll assessed value purposes.
Does not include increases in land values; does include construction and development costs.
Hermann Hospital and 300,000 sq ft of the Professional Office could be declared tax exempt.
Total Hotel Units of 900 - assumes 300 units in a development year for a total of three hotels.
Total Rental Apartment Residential Units of 3000 - assumes 200 units in a development year. Includes senior housing.

VI. Memorandum of Agreement

MEMORIAL CITY TIRZ AD HOC COMMITTEE
c/o JERRY LANDERS, CHAIRMAN
12518 WOODTHORPE
HOUSTON, TEXAS 77024

MetroNational Corporation
Two Memorial City Plaza
18th Floor
Houston, Texas 77024

June 29, 1999

Attention: Mr. William G. Huntsinger, Jr.
Vice-President

Re: *Memorial City Tax Increment Reinvestment Zone ("TIRZ")*

Dear Mr. Huntsinger, Jr.:

The undersigned is the designated representative of the Ad Hoc Committee which was formed following the meeting held by MetroNational on June 16, 1999 to inform the residential subdivisions contiguous to the southern boundary of the proposed TIRZ ("South Side Neighborhoods"). After notice to the affected subdivisions' representatives, the Ad Hoc Committee was formed with civic association board members or representatives from the following subdivisions:

Memorial Meadow, Fonn Villas, Memorial Hollow, Frostwood, Memorial Forest, Reidel Estates, and with occasional participation from other affected subdivisions.

After meetings with MetroNational and their consultants, review of the June 12 draft and June 17, 1999 Preliminary Project Plan (the "Plan"), attendance and speaking at City Council on June 22, 1999, conversations with Jean Kelley, Bruce Tatro and other members of the City Council and, at the direction of Mayor Brown, a 2 ½ hour meeting with City Planning Department Director, Mr. Robert Litke, the Ad Hoc Committee has determined that the Plan and any final project plan must include the seven (7) essential conditions attached hereto as Exhibit "A". These conditions are necessary to address the South Side Neighborhoods' concerns of safety, traffic, drainage and local recreational facility preservation, which unless addressed, will be adversely affected by the projected development intended by the creation of the TIRZ.

Therefore, please execute in the space provided below to evidence your agreement with and support for inclusion of the seven (7) essential conditions as (*i*) an addendum to the current Plan and any "final project plan" for the TIRZ and (*ii*) a condition to City Council's creation of the TIRZ.

Jerry Landers

Jerry Landers, Chairman
Memorial City TIRZ Ad Hoc Committee

Agreed and Supported:

MetroNational Corporation

By: William N Huntsinger Jr.

William G. Huntsinger, Jr., Vice President
(Authorized Representative)

cc: Mayor Lee Brown
City Council Members
Mr. Robert M. Litke, Director,
City of Houston Planning Department

SEVEN (7) ESSENTIAL CONDITIONS FOR THE MEMORIAL CITY TIRZ

1. Two (2) of the five City Council-appointed TIRZ board members shall be qualified neighborhood residents, one from the residential neighborhoods contiguous to the boundaries of the TIRZ on the south side of Interstate 10 ("South Side") and the other from the neighborhoods contiguous to the TIRZ on the north side of Interstate 10 ("North Side"). Further, the North Side appointee shall be recommended by the affected North Side neighborhood associations, and the South Side appointee shall be recommended by the Ad Hoc Committee for the Memorial City TIRZ, currently composed of representatives of Memorial Meadows, Fonn Villas, Memorial Hollow, Frostwood, Memorial Forest, and Reidel Estates. All appointees must meet with Mayor and City Council approval.

2. In order to preserve the integrity of our existing neighborhoods, as well as the safety of our children, all proposed improvements shall be designed and built to minimize cut-through traffic in the residential neighborhoods adjacent to the TIRZ, and no new street openings, street widenings, or street alignments shall be made through the existing residential neighborhoods. Sequencing of traffic improvements is important to ensure that the implementation of the Plan will not create additional traffic through the existing residential neighborhoods. Traffic improvements must also take into consideration traffic calming devices to be employed to channel traffic away from residential neighborhoods. It is also important that improvements to major thoroughfares, collectors and commercial streets also take into consideration intersection improvements that enhance traffic movement.

3. NTP designed improvements that will benefit the neighborhoods to the south of the TIRZ and that are included within the boundaries of the TIRZ, will be included as eligible project improvements to be included with the TIRZ project costs.

4. The Ad Hoc Committee's priority for an east/west traffic corridor south of I-10 and west of Gessner shall be the extension of Town and Country Way from Beltway 8 to Frostwood Drive, as shown in the Preliminary Project Plan (the "Plan") consistent with the intent outlined in No. 2.

5. The Spring Branch/Memorial Sports Association ("Association") ball fields located south of Mac Haik Ford and on the property of the Spring Branch Independent School District ("SBISD"), shall remain on that property. If a road is cut through that property, any new ball fields shall be located on the same property and, in order that the area shall remain safe for the children, a wall or other appropriate safety device that is agreed to by the Association shall be erected thereon. However, any reconfiguration of the baseball fields or decisions concerning the property on which the fields are located shall be subject solely to the review and approval of SBISD, or the then present owner of the property on which the fields are located.

6. A noise-attenuation wall shall be constructed adjacent to any new roadway that borders an existing residential neighborhood to protect neighboring homes against noise and for the protection of the property values of those affected homes and residential neighborhoods.

7. It is important to the quality of life for this TIRZ to promote parkland, open space and greenspace as a part of the proposed developments. The TIRZ Board will use its efforts to promote the development of these features as a part of the development program for the TIRZ and for all land uses where possible.